SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1966

No. 4

CASCADE NATURAL GAS CORPORATION, APPELLANT,

vs.

EL PASO NATURAL GAS COMPANY, ET AL.

No. 5

PEOPLE OF THE STATE OF CALIFORNIA, APPELLANT,

vs.

EL PASO NATURAL GAS COMPANY, ET AL.

No. 24

SOUTHERN CALIFORNIA EDISON COMPANY, APPELLANT,

vs.

EL PASO NATURAL GAS COMPANY, ET AL.

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF UTAH

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IN UNITED STATES DISTRICT COURT
PLAINTIFF'S EXHIBIT 6

Response to Letter Dated October 23, 1964,
From United States Department of Justice

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NOTE

All gas volumes under Items 1 and 2 are expressed on a pressure base of 14.73 psia and a temperature base of 60° F.

Lines 5 and 9 account for gas production adjustments.

Item 1a

[fol. 886]

Quantitative Reconciliation of Gas
Reserves of New Company
San Juan Basin
Leaseholds and Gas Rights - Year 1960
Gas volumes in millions cubic feet

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	116,300	428,200	3,042,600	66,700
2.	Additions due to:				
3.	Purchases and exchanges of lands, leaseholds and gas rights.				
4.	Upward revision of reserve estimates.	63,000			
5.	Other increases (explain)				
6.	Deductions due to:				
7.	Production during year.	2,500	1,400	32,200	--
8.	Sales, exchanges and abandonment of lands, leaseholds and gas rights.			37,700	
9.	Downward revision of previous reserve estimates other than due to change in method of reserve estimation.				
10.	Downward revision of estimates due to change in method of reserve estimation.		194,900	936,000	
11.	Other decreases (explain).			1,200	
12.	Estimated reserves at end of year.	176,800	231,900	2,035,500	66,700

1723

Item 1a

1724
[fol. 887]

Quantitative Reconciliation of Gas Reserves of New Company
San Juan Basin
Leaseholds and Gas Rights - Year 1961
Gas volumes in millions cubic feet

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	176,800	231,900	2,035,500	66,700
2.	Additions due to:				
3.	Purchases and exchanges of lands, leaseholds and gas rights.				
4.	Upward revision of reserve estimates.	7,900		2,900	
5.	Other increases (explain)	800			
6.	Deductions due to:				
7.	Production during year.	5,400	1,000	27,800	100
8.	Sales, exchanges and abandonment of lands, leaseholds and gas rights.	5,800	25,100	58,000	
9.	Downward revision of previous reserve estimates other than due to change in method of reserve estimation.	7,000			
10.	Downward revision of estimates due to change in method of reserve estimation.				
11.	Other decreases (explain).				
12.	Estimated reserves at end of year.	167,300	205,800	1,952,600	66,600

Item 1a

Quantitative Reconciliation of Gas
Reserves of New Company
San Juan Basin
Leaseholds and Gas Rights - Year 1962
Gas volumes in millions cubic feet

Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
timated reserves at beginning of year.	167,300'	205,800	1,952,600	66,600
Additions due to:				
Purchases and exchanges of lands, leaseholds and gas rights.				
Upward revision of reserve estimates.				
Other increases (explain)				
Deductions due to:				
Production during year.	4,300	1,000	24,300	100
Sales, exchanges and abandonment of lands, leaseholds and gas rights.		10,000	22,200	
Downward revision of previous reserve estimates other than due to change in method of reserve estimation.	104,300			
Downward revision of estimates due to change in method of reserve estimation.				
Other decreases (explain).	1,200	300	800	
timated reserves at end of year.	57,500	194,500	1,905,300	66,500

[fol. 8881]

1725

Item 1a

Quantitative Reconciliation of Gas
Reserves of New Company
San Juan Basin
Leaseholds and Gas Rights - Year 1963
Gas volumes in millions cubic feet

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	57,500	194,500	1,905,300	66,500
2.	Additions due to:				
3.	Purchases and exchanges of lands, leaseholds and gas rights.			1,300	
4.	Upward revision of reserve estimates.	40,700			
5.	Other increases (explain)	600	200		
6.	Deductions due to:				
7.	Production during year.	5,300	900	28,100	160
8.	Sales, exchanges and abandonment of lands, leaseholds and gas rights.	1,200		57,900	
9.	Downward revision of previous reserve estimates other than due to change in method of reserve estimation.				
10.	Downward revision of estimates due to change in method of reserve estimation.		81,900	272,400	63,000
11.	Other decreases (explain).			3,900	
12.	Estimated reserves at end of year.	92,300	111,900	1,544,300	2,660

Item 1b

Quantitative Reconciliation of Gas
Reserves of New Company
San Juan Basin
Gas Purchase Contracts - Year 1960
Gas volumes in millions cubic feet

[fol. 890]

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	37,200	463,900	594,300	7,500
2.	Additions due to:				
3.	New contracts or additional acreage acreage under existing contracts.	4,800	900		
4.	Upward revision of existing reserve estimates.				
5.	Other increases (detail).	121,000			
6.	Deductions due to:				
7.	Production during year.	1,000	12,300	6,300	100
8.	Cancellation of contracts.				
9.	Downward revision of existing reserve estimates other than due to change in method of reserve estimation.				
10.	Downward revision of estimates due to change in method of reserve estimation.		219,500	182,600	
11.	Other decreases (explain).	7,100			
12.	Estimated reserves at end of year.	154,900	233,000	405,400	7,400

1727

Quantitative Reconciliation of Gas
Reserves of New Company
San Juan Basin
Gas Purchase Contracts - Year 1961
Gas volumes in millions cubic feet

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	154,900	233,000	405,400	7,400
2.	Additions due to:				
3.	New contracts or additional acreage acreage under existing contracts.	45,600	600	2,600	
4.	Upward revision of existing reserve estimates.				
5.	Other increases (detail):	500	200	3,500	
6.	Deductions due to:				
7.	Production during year.	1,300	10,500	5,800	100
8.	Cancellation of contracts.				
9.	Downward revision of existing reserve estimates other than due to change in method of reserve estimation.				
10.	Downward revision of estimates due to change in method of reserve estimation.				
11.	Other decreases (explain).				
12.	Estimated reserves at end of year.	199,700	223,300	405,700	7,300

Item 1b

Quantitative Reconciliation of Gas Reserves of New Company
San Juan Basin
Gas Purchase Contracts - Year 1962
Gas volumes in millions cubic feet

[fol. 892]

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	199,700	223,300	405,700	7,300
2.	Additions due to:				
3.	New contracts or additional acreage acreage under existing contracts.	8,000	100	10,600	
4.	Upward revision of existing reserve estimates.				
5.	Other increases (detail).		16,200		
6.	Deductions due to:				
7.	Production during year.	1,400	8,400	5,700	
8.	Cancellation of contracts.				
9.	Downward revision of existing reserve estimates other than due to change in method of reserve estimation.	52,400			
10.	Downward revision of estimates due to change in method of reserve estimation.				
11.	Other decreases (explain).	100		1,700	
12.	Estimated reserves at end of year.	153,800	231,200	408,900	7,300

1729

Item 1b

Quantitative Reconciliation of Gas
Reserves of New Company
San Juan Basin
Gas Purchase Contracts - Year 1963
Gas volumes in millions cubic feet

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	153,800	231,200	408,900	7,300
2.	Additions due to:				
3.	New contracts or additional acreage acreage under existing contracts.	4,700	40,700	28,200	
4.	Upward revision of existing reserve estimates.		51,400		
5.	Other increases (detail).		3,600		
6.	Deductions due to:				
7.	Production during year.	2,100	8,500	5,400	100
8.	Cancellation of contracts.				
9.	Downward revision of existing reserve estimates other than due to change in method of reserve estimation.	9,900			
10.	Downward revision of estimates due to change in method of reserve estimation.			130,300	5,400
11.	Other decreases (explain).	1,000		300	
12.	Estimated reserves at end of year.	145,500	318,400	301,100	1,800

Item 2a

Quantitative Reconciliation of Gas
Reserves of El Paso Natural Gas Company
San Juan Basin
Leasehold and Gas Rights - Year 1960
Gas volumes in millions cubic feet

[fol. 895]

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	251,500	2,409,600	4,951,000	149,800
2.	Additions due to:				
3.	Purchases and exchanges of lands, leaseholds and gas rights.	14,700	38,700	22,000	
4.	Upward revision of reserve estimates.	1,366,900			
5.	Other increases (explain)				1,700
6.	Deductions due to:				
7.	Production during year.	7,800	43,300	83,900	10,100
8.	Sales, exchanges and abandonment of lands, leaseholds and gas rights.			1,000	
9.	Downward revision of previous reserve estimates other than due to change in method of reserve estimation.				
10.	Downward revision of estimates due to change in method of reserve estimation.		1,170,500	1,627,700	
11.	Other decreases (explain).			3,200	
12.	Estimated reserves at end of year.	1,625,300	1,234,500	3,257,200	141,400

1731

Quantitative Reconciliation of Gas Reserves of El Paso Natural Gas Company
San Juan Basin
Leasehold and Gas Rights - Year 1962
Gas volumes in millions cubic feet

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	1,509,100	1,174,300	3,179,700	143,900
2.	Additions due to:				
3.	Purchases and exchanges of lands, leaseholds and gas rights.		1,200		
4.	Upward revision of reserve estimates.	104,300			
5.	Other increases (explain)				
6.	Deductions due to:				
7.	Production during year.	13,100	35,300	59,700	8,900
8.	Sales, exchanges and abandonment of lands, leaseholds and gas rights.	132,200	13,800	14,100	
9.	Downward revision of previous reserve estimates other than due to change in method of reserve estimation.				
10.	Downward revision of estimates due to change in method of reserve estimation.				65,800
11.	Other decreases (explain).	3,700	11,600	1,900	
12.	Estimated reserves at end of year.	1,464,400	1,114,800	3,104,000	69,200

Item 2a

Quantitative Reconciliation of Gas
Reserves of El Paso Natural Gas Company
San Juan Basin
Leasehold and Gas Rights - Year 196]
Gas volumes in millions cubic feet

[fol. 897]

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	1,625,300	1,234,500	3,257,200	141,400
2.	Additions due to:				
3.	Purchases and exchanges of lands, leaseholds and gas rights.	13,900	5,200	300	13,200
4.	Upward revision of reserve estimates.	33,600			
5.	Other increases (explain)	1,600	1,100	7,400	
6.	Deductions due to:				
7.	Production during year.	10,800	39,200	69,900	9,800
8.	Sales, exchanges and abandonment of lands, leaseholds and gas rights.	154,500	27,300	15,300	
9.	Downward revision of previous reserve estimates other than due to change in method of reserve estimation.				
10.	Downward revision of estimates due to change in method of reserve estimation.				
11.	Other decreases (explain).				900
12.	Estimated reserves at end of year.	1,509,100	1,174,300	3,179,700	143,900

1733

Quantitative Reconciliation of Gas
Reserves of El Paso Natural Gas Company
San Juan Basin
Leasehold and Gas Rights - Year 1963
Gas volumes in millions cubic feet

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	1,464,400	1,114,800	3,104,000	69,200
2.	Additions due to:				
3.	Purchases and exchanges of lands, leaseholds and gas rights.				
4.	Upward revision of reserve estimates.	124,400	19,000	290,100	
5.	Other increases (explain)	2,100	7,700		
6.	Deductions due to:				
7.	Production during year.	16,900	33,400	59,200	6,900
8.	Sales, exchanges and abandonment of lands, leaseholds and gas rights.	27,100	3,200	53,000	
9.	Downward revision of previous reserve estimates other than due to change in method of reserve estimation.	40,700			
10.	Downward revision of estimates due to change in method of reserve estimation.		4,800		15,500
11.	Other decreases (explain).		15,700 1/	3,700 1/	
12.	Estimated reserves at end of year.	1,506,200	1,084,400	3,278,200	46,800

1/ Reflects transfer to leasehold of New Company and 2,400 production adjustment under 11(d).

Item 2b

Quantitative Reconciliation of Gas
Reserves of El Paso Natural Gas Company
San Juan Basin
Gas Purchase Contracts - Year 1960
Gas volumes in millions cubic feet

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	171,000	1,369,900	2,861,200	357,900
2.	Additions due to:				
3.	New contracts or additional acreage acreage under existing contracts.	418,700	67,600	74,100	
4.	Upward revision of existing reserve estimates.	252,600			
5.	Other increases (detail).		700	17,600	1,700
6.	Deductions due to:				
7.	Production during year.	14,900	28,500	84,300	7,000
8.	Cancellation of contracts.				
9.	Downward revision of existing reserve estimates other than due to change in method of reserve estimation.				
10.	Downward revision of estimates due to change in method of reserve estimation.				
11.	Other decreases (explain).		728,500	974,100	
12.	Estimated reserves at end of year.	827,400	701,200	1,894,500	352,600

[fol. 899]

1735

: Reconciliation of Gas
Paso Natural Gas Company
an Juan Basin
e Contracts - Year 1961
s in millions cubic feet

Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
827,400	701,200	1,894,500	352,600
79,400	24,300	38,500	
20,800 3,200	500	44,400	
27,500	24,400	72,900	7,300
16,000	4,600		
			1,600
887,300	697,000	1,904,500	343,700

Item 2b

Quantitative Reconciliation of Gas
Reserves of El Paso Natural Gas Company
San Juan Basin
Gas Purchase Contracts - Year 1962
Gas volumes in millions cubic feet

[fol. 9011]

Line No.	Item	Basin Dakota Field	Basin Pictured Cliffs Field	Blanco Mesaverde Field	Miscellaneous
	(a)	(b)	(c)	(d)	(e)
1.	Estimated reserves at beginning of year.	887,300	697,000	1,904,500	343,700
2.	Additions due to:				
3.	New contracts or additional acreage acreage under existing contracts.	72,200	33,700	78,800	
4.	Upward revision of existing reserve estimates.	52,400			
5.	Other increases (detail).		47,500		
6.	Deductions due to:				
7.	Production during year.	38,100	25,000	57,600	8,500
8.	Cancellation of contracts.				
9.	Downward revision of existing reserve estimates other than due to change in method of reserve estimation.				
10.	Downward revision of estimates due to change in method of reserve estimation.				35,000
11.	Other decreases (explain).	2,700		17,200	
12.	Estimated reserves at end of year.	971,100	753,200	1,908,500	300,200

1737

Reserves of El Paso Natural Gas Company
San Juan Basin
Gas Purchase Contracts - Year 1963
Gas volumes in millions cubic feet

Line No.	Item (a)	Basin Dakota Field (b)	Basin Pictured Cliffs Field (c)	Blanco Mesaverde Field (d)	Miscellaneous (e)
1.	Estimated reserves at beginning of year.	971,100	753,200	1,908,500	300,200
2.	Additions due to:				
3.	New contracts or additional acreage acreage under existing contracts.	1,347,000	34,100	888,800	12,900
4.	Upward revision of existing reserve estimates.	55,700	179,000	274,600	
5.	Other increases (detail).		11,000		
6.	Deductions due to:				
7.	Production during year.	43,800	25,400	64,700	9,900
8.	Cancellation of contracts.				
9.	Downward revision of existing reserve estimates other than due to change in method of reserve estimation.				
10.	Downward revision of estimates due to change in method of reserve estimation.				130,500
11.	Other decreases (explain).	21,200	40,700 1/	30,500 1/	
12.	Estimated reserves at end of year.	2,308,800	911,200	2,976,700	172,700

1/ Reflects transfer of two contracts to New Company and 3300 production adjustment under 11(d).

Item No. 4

Question: With respect to your response to Item 4 (page 1 of 2), please furnish a detailed listing of the items making up the intangible plant additions for the year 1964 of $1,175,596.

Response: The page referred to has been revised and a substitute sheet which was previously furnished to the Justice Department shows net additions for the year 1964 of $(14,874). This net reduction for the year 1964 represents the reversal on the books of the Company of an amount previously classified erroneously as intangible plant. A copy of said substitute page is attached hereto for your convenience.

Revised

NEW COMPANY

UTILITY PLANT BY FUNCTION

1964 (ESTIMATE)

Line No.	Description (a)	Balance December 31, 1963 (b)	Net Additions (c)	Northwest Division Total (d)	Northwest Production Corporation (e)	New Company (f)	Line No.
1	101 - Gas Plant in Service Intangible Plant	$ 3,951,874	$ (14,874)	$ 3,937,000	$ -	$ 3,937,000	1
2	Production Plant	87,409,323	405,660	87,814,983	13,151,217	100,966,200	2
3	Products Extraction Plant Other	4,604,149	(149)	4,604,000	2,634,407	7,238,407	3
4	Opal	9,464,871	-	9,464,871	-	9,464,871	4
5	Total	14,069,020	(149)	14,068,871	2,634,407	16,703,278	5
6	Transmission Plant	206,290,037	1,541,317	207,831,354	-	207,831,354	6
7	Underground Storage Plant	-	322,000	322,000	-	322,000	7
8	General Plant	793,630	32,226	825,856	97,144	923,000	8
9	Total 101 - Gas Plant in Service	312,513,884	2,286,180	314,800,064	15,882,768	330,682,832	9
10	106 - Gas Plant Leased to Others Transmission Plant	54,033	-	54,033	-	54,033	10
11	105 - Gas Plant Held for Future Use Production Plant	559,713	(50,822)	508,891	1,484,909	1,993,800	11
12	Transmission Plant	53,614	-	53,614	-	53,614	12
13	General Plant	-	-	-	-	-	13
14	Total 105 - Gas Plant Held for Future Use	613,327	(50,822)	562,505	1,484,909	2,047,414	14
15	Gas Plant Acquisition Adjustment	-	-	-	(505,782)	(505,782)	15
16	107 - Construction Work in Progress	1,857,703	1,312,214	3,169,917	24,061	3,193,978	16
17	Total Utility Plant	$315,984,944	$3,547,572	$318,586,516	$16,885,956	$335,472,474	17

Item No. 16

Question: Item No. 16. This item requested a build-up of the tax basis of the New Company at December 31, 1964 from December 31, 1956. Certain figures were furnished in response thereto, including the estimated tax basis at December 31, 1964 of $187,000,000. It appears from an examination of El Paso's working papers in FPC Docket No. CP64-76 that the estimated tax base of the New Company is $187,634,842. Is the figure of $187,000,000 simply a "rounding-out" of $187,634,842, or are adjustments to the latter amount appropriate?

Will you please furnish a breakdown of the amount of $187,634,842 or as it has been adjusted to reflect depreciable plant and other assets with such other assets being listed in appropriate detail.

Response: The figure of $187,000,000 is a rounding out of the figure of $187,165,604, which is detailed on the following schedule. The figure of $187,634,842 referred to in the inquiry represents the tax basis of the total assets of New Company and does not take into consideration a liability item of $469,238, which reduces that amount to the net figure shown on the attached schedule.

Item No. 16

NEW COMPANY

Tax Basis of Investment at 12-31-64

Line No.	Description (a)	Amount (b)	Line No.
	Assets		
1	Utility Plant	$274,414,853	1
2	Less: Reserves	109,103,293	2
3	Net Utility Plant	$165,311,560	3
	Investments in Associated Companies		
4	Northwest Production Corporation	$ 10,833,320	4
5	Pacific Northwest Realty Corporation	336,659	5
6	Prairie Pipe Lines, Ltd. and Prairie Transmission Lines, Ltd.	60,619	6
7	Total Investments in Associated Companies	$ 11,230,598	7
	Other Investments		
8	Phillips Pacific Chemical Co.	946,850	8
9	Intermountain Gas Company	1,160,000	9
10	Advances to Gas Suppliers	1,174,841	10
11	Other	11,427	11
12	Total Other Investments	$ 3,293,118	12
	Prepayments		
13	Royalties	$ 44,865	13
	Gas Purchases		
14	Big Piney Field	3,273,306	14
15	Northwest Production Corporation	1,742,552	15
16	Total Prepayments	$ 5,060,723	16
17	Deposit for Acquisition of Northwest Production Corporation Stock	$ 997,802	17
18	Materials and Supplies	$ 1,210,723	18
19	Interest on Notes Receivable from Intermountain Gas Company	$ 171,033	19
20	Preliminary Survey and Investigation Charges	$ 251,891	20
21	Miscellaneous Deferred Debits	$ 107,394	21
22	Total Assets	$187,634,842	22
	Liabilities		
23	Long-term Debt - Mobil Oil Company	$ 469,238	23
24	Net Tax Basis of The New Company	$187,165,604	24

Item No. 23

(a) None of the wells producing gas from the leases listed on page 1 of 2 of El Paso's response are connected to the pipelines of the Northwest Division. The only such wells capable of being connected to pipelines of the Northwest Division on an economically feasible basis are the three wells on the Twin Buttes lease in Colorado, production from which has been dedicated to Western Slope Gas Company since 1953. Production is also under contract to Western Slope from the Northwest Prairie Canyon lease in Colorado; to Mountain Fuel Supply Company from the Southman Canyon lease in Utah; and to Rocky Mountain Natural Gas Company from the Hightower Buzzard Creek and Plateau Creek leases in Colorado.

(b) The leases in the areas listed on page 1 of 2 of El Paso's response which have reserves assigned thereto and which are not now being produced to satisfy the contract requirements of buyers and the amount of such reserves attributable thereto are as follows:

Lease	1-1-64 Reserves - Bcf
Colorado	
Grand Mesa area	6.0
Utah	
Jack Canyon and Peter's Point areas	39.1
Wyoming	
Pinedale area	151.9

It is not economically feasible to deliver production from the foregoing into the pipelines which will be owned by New Company.

EL PASO NATURAL GAS COMPANY

Tax Losses of Pacific Northwest Pipeline Corporation and Subsidiaries - Years 1954 through 1959

Response to Item 1 (a) of U.S. Dept. of Justice Request dated October 23, 1964

Line No.	Description (a)	1954 Pacific Northwest Pipeline Corporation (b)	1955 Pacific Northwest Pipeline Corporation (c)	Pacific Northwest Pipeline Corporation (d)
1	Net Income per Books (Loss)	$ -	$ 785,391.47	$ 850,715.
	Tax Adjustments - Deductions (Additions):			
2	Intangible Drilling Costs	$ -	$ 6,215,540.47	$ 5,765,897.
3	Taxes Charged to Special Construction Projects	469.20	218,470.11	1,346,500.
4	Interest Charged to Construction	-	2,696,798.65	8,604,232.
5	Additional Depreciation and Amortization for Tax Purposes - Straight-line Basis	960.45	210,145.67	803,422.
6	Additional Depletion Allowable for Tax Purposes	-	-	22,951.
7	Preliminary Cost of Operations Capitalized on Books	38,848.93	114,587.16	1,825,991.
8	Gain on Foreign Exchange Capitalized on Books	(.84)	-	(23.
9	Delay Rentals Capitalized on Books	-	157,732.00	209,753.4
10	Interest Revenues Capitalized on Books	-	(108,971.14)	(166,940.4
11	Nonproductive Well Costs Capitalized on Books, Expensed for Tax Purposes	-	262,265.89	247,586.
12	Abandoned Lease Cost Capitalized on Books, Expensed for Tax Purposes	-	24,802.44	230,858.
13	Loss on Sale of Assets	-	2,547.84	-
14	Preoperating Revenues Capitalized on Books	-	(91,982.00)	(1,176,605.32)
15	Royalty Revenue Capitalized on Books	-	-	(17.76)
16	Total Tax Adjustments	$ 40,277.74	$ 9,701,937.09	$ 14,749,546.80
17	Net Taxable Income (Loss) - Straight-line Depreciation Basis	$(40,277.74)	$(8,916,545.62)	$(13,898,831.58)
18	Excess of Liberalized Depreciation - Current Year	-	(102,981.80)	(776,286.60)
19	Net Taxable Income (Loss) - Liberalized Depreciation Basis	$(40,277.74)	$(9,019,527.42)	$(14,675,118.18)

[fol. 909]

EL PASO NATURAL GAS COMPANY

Tax Losses of Pacific Northwest Pipeline Corporation and Subsidiaries - Years 1954 through 1959

Response to Item 1 (a) of U.S. Dept. of Justice Request dated October 23, 1964

Description (a)	1954 Pacific Northwest Pipeline Corporation (b)	1955 Pacific Northwest Pipeline Corporation (c)	1956 Pacific Northwest Pipeline Corporation (d)	1956 Westcoast Investment Corporation (e)	1956 Pacific Northwest Realty Corporation (f)	Line No.
	$ -	$ 785,391.47	$ 850,715.	$ -	$ -	1
ions):	$ -	$ 6,215,540.47	$ 5,765,897.	$ -	$ -	2
tion Projects	469.20	218,470.11	1,346,380.	-	-	3
	-	2,696,798.65	8,604,232.	-	-	4
ization for Tax Purposes - Straight-line Basis	960.45	210,145.67	803,422.	-	2,372.75	5
r Tax Purposes	-	-	22,951.	-	-	6
pitalized on Books	38,848.93	114,587.16	1,825,991.	298.16	8,658.70	7
zed on Books	(.84)	-	(13.	-	-	8
s	-	157,732.00	209,753.	-	-	9
Books	-	(108,971.14)	(166,940.	-	-	10
zed on Books, Expensed for Tax Purposes	-	262,265.89	397,566.	-	-	11
on Books, Expensed for Tax Purposes	-	24,802.44	230,838.	-		12
	-	2,547.84	-	-		13
on Books	-	(91,982.00)	(1,170,635.32)	-	(2,875.31)	14
oks	-	-	(17.76)	-	-	15
	$ 40,277.74	$ 9,701,937.09	$ 14,749,546.80	$ 298.16	$ 8,156.14	16
t-line Depreciation Basis	$(40,277.74)	$(8,916,545.62)	$(13,898,831.58)	$(298.16)	$(8,156.14)	17
n - Current Year	-	(102,981.80)	(776,246.60)	-	-	18
lized Depreciation Basis	$(40,277.74)	$(9,019,527.42)	$(14,675,118.18)	$(298.16)	$(8,156.14)	19

EL PASO NATURAL GAS COMPANY

Tax Losses of Pacific Northwest Pipeline Corporation and Subsidiaries - Years 1954 through 1959

Response to Item 1 (s) of U.S. Dept. of Justice Request dated October 23, 1964

Line No.	Description (a)	1957 Pacific Northwest Pipeline Corporation (b)	1957 Westcoast Investment Corporation (c)	1957 Pacific Northwest Realty Corporation (d)	1958 Pacific Northwest Pipeline Corporation (e)	1958 Westcoast Investment Corporation (f)	1958 Pacific Northwest Realty Corporation (g)	1959 Pacific Northwest Pipeline Corporation (h)	1959 Westcoast Investment Corporation (i)	1959 Pacific Northwest Realty Corporation (j)	Line No.
1	Net Income per Books (Loss) before Federal Income Tax	$ (347,644.60)	$(63,036.33)	$ 43,686.11	$ 3,371,806.93	$(185,136.28)	$ 12,530.17	$ 3,834,752.95	$(197,514.64)	$(17,267.37)	1
	Tax Adjustments - Deductions (Additions)										
2	Intangible Drilling Costs	$ 5,595,515.27	$ -	$ -	$ 3,000,192.44	$ -	$ -	$ 1,753,026.09	$ -	$ -	2
3	Taxes Charged to Special Construction Projects	182,961.62	-	-	1,423,493.05	-	-	73,584.67	-	-	3
4	Interest Charged to Construction	564,248.99	-	79,893.99	77,810.16	-	14,181.46	8,216.51	-	-	4
5	Additional Depreciation and Amortization for Tax Purposes - Straight-line Basis	2,357,045.37	-	9,741.93	293.51	-	1,804.40	(96,467.64)	-	(7,770.60)	5
6	Additional Depletion Allowable for Tax Purposes	(174,008.74)	-	-	(584,090.91)	-	-	(400,641.50)	-	-	6
7	Pension Cost Claimed for Tax Purposes, Deferred on Books	9,844.14	-	-	-	-	-	-	-	-	7
8	Elimination of Gain on Sale of Westcoast Stock to El Paso	1,700,000.00	-	-	2,927,550.00	-	-	-	-	-	8
9	Capital Gain for Tax Purposes on Sale of Equipment - Straight-line Depreciation Basis	(28,719.02)	-	-	-	-	-	-	-	-	9
10	Capital Gains on Exchange of Producing Properties	(3,286.03)	-	-	-	-	-	-	-	-	10
11	Abandoned Lease Costs Written Off on Books not Allowable for Tax Purposes in Current Year	(259,837.04)	-	-	(5,379.13)	-	-	14,539.27	-	-	11
12	Additional Gain on Sale of Land for Tax Purposes	-	-			-	-	322.75	-		12
13	Special Legal Services Capitalized for Tax Purposes per RAR	-	-	-	11,600.00	-	-	-	-	-	13
14	Additional Legal Expense for Tax Purposes	-	-	-	-	-	-	11,600.00	-	-	14
15	Additional Pension Cost Accrued for Tax Purposes	-	-	-	-	-	-	158.87	-	-	15
16	Pension Costs Expensed on Books, Previously Claimed or Deferred for Tax Purposes	-	-	-	(9,844.14)	-	-	(2,341.78)	-	-	16
17	Cost of Nonproductive Wells Expensed on Books, Previously Claimed for Tax Purposes	-	-	-	(28,063.24)	-	-	-	-	-	17

EL PASO NATURAL GAS COMPANY

Tax Losses of Pacific Northwest Pipeline Corporation and Subsidiaries - Years 1954 through 1959

Response to Item 1 (a) of U.S. Dept. of Justice Request dated October 23, 1964

Line No.	Description (a)	1957 Pacific Northwest Pipeline Corporation (b)	1957 Westcoast Investment Corporation (c)	1957 Pacific Northwest Realty Corporation (d)	1958 Pacific Northwest Pipeline Corporation (e)	1958 Westcoast Investment Corporation (f)	1958 Pacific Northwest Realty Corporation (g)	1959 Pacific Northwest Pipeline Corporation (h)	1959 Westcoast Investment Corporation (i)	1959 Pacific Northwest Realty Corporation (j)	Line No.
	Tax Adjustments - Deductions (Additions) (Continued)										
1	Documentary Stamps Expensed on Books Capitalized for Tax Purposes	$ (5,500.00)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	1
2	State Income Taxes Adjusted to Actual per RAR	-	-	-	(3,982.73)	-	-	1,780.21	-	-	2
3	Redemption Premium and Unamortized Debt Expense and Premium (Net) on Long-term Debt Retired before Maturity	-	-	483.48	-	-	-	-	-	237.10	3
4	Amortization of Organization Expense	-	-	-	-	-	45.39	-	-	45.39	4
5	Amortization of Debt Expense Capitalized on Books, Expensed for Tax Purposes	-	-	-	-	-	1,380.14	-	-	-	5
6	Preliminary Cost of Operations Capitalized on Books	82,649.80	219.28	11,193.84	-	-	60,170.71	-	-	-	6
7	Preoperating Revenues Capitalized on Books	-	-	(21,968.52)	-	-	-	-	-	-	7
8	Total Tax Adjustments	$ 10,020,814.36	$ 219.28	$ 79,344.72	$ 6,[illegible]	$ -	$ 77,582.10	$ 1,365,77[illegible]	-	$ (7,488.11)	8
9	Net Taxable Income (Loss) - Straight-line Depreciation Basis	$(10,368,458.98)	$(63,255.61)	$(35,658.61)	$(3,394,[illegible]72.08)	$(185,136.28)	$(65,051.93)	$ 2,468,975.50	$(197,514.66)	$ (9,779.26)	9
10	Excess of Liberalized Depreciation over Current Year	(6,554,396.94)	-	-	[illegible]	-	(28,221.20)	(5,591,[illegible]36.13)		(53,755.40)	10
11	Additional Capital Gain	151,588.66	-	-	-	-	-	-	-	-	11
12	Net Taxable Income (Loss) - Liberalized Depreciation Basis	$(16,771,267.24)	$(63,255.61)	$(35,658.61)	$(9,585,198.29)	$(185,136.28)	$(93,273.13)	$(3,122,760.63)	$(197,514.66)	$(63,536.66)	12

EL PASO NATURAL GAS COMPANY

Tax Losses of Pacific Northwest Pipeline Corporation
Available to El Paso at Date of Merger

Line No.	Year Incurred (a)	Total Amount (b)	Amount Not Available to El Paso 1/ (c)	Amount Utilized (d)	Year in which Utilized (e)	Line No.
1	1954	$ 40,278	$40,278	$ -	-	1
2	1955	9,019,527	-	9,019,527	1960	2
3	1956	14,675,118	-	14,675,118	1960	3
4	Total	$23,734,923	$40,278	$23,694,645		4

1/ Five year loss carryover period expired at end of 1959 prior to merger.

CBb 31

(d) Inquiry is made of the tax losses which could have been utilized by Pacific Northwest if it had not been merged into El Paso Natural Gas Company. Specifically, we are asked to show for each year net income before taxes, tax adjustments in detail, net taxable income, computed tax and utilization of tax losses. The answer to these questions would depend upon decisions which might have been made but which in fact were never made. Various results would have followed different decisions. The following is a statement of factors which would have affected the utilization of the tax losses had Pacific Northwest not been merged into El Paso:

(i) The tax losses would have expired and have been of no value to anyone had they not been utilized within five years after they were incurred. The last of the tax losses available at the time of merger would have expired if not fully utilized in the year 1961.

(ii) In order to utilize the tax losses, it would have been necessary for Pacific Northwest in some manner to have generated taxable income.

(iii) Taxable income could have been influenced by numerous factors of which the following are the more obvious:

A. Increase in rates to the customers

B. Sale of capital assets

C. Capitalization of all possible items rather than the expensing thereof, such as interest and taxes during construction

D. "Farmout" of drilling activity to reduce intangible drilling expenses

E. Shifting from accelerated to straight-line depreciation for tax purposes

F. Sale of a "production payment"

(e) See (d) above.

Item 2 (a) and (b)

The estimated volumes of gas to be gathered by El Paso and New Company for each other in the San Juan Basin and the number of wells associated therewith are as follows:

	1965	1966	1967	1968	1969	1970
Average Daily Mcf at 14.73 psia 1/						
By El Paso for New Co.	51,177	59,087	69,978	77,126	77,624	80,657
By New Co. for El Paso	20,569	22,296	23,616	23,957	23,645	24,142

Wells 2/	Gross	Net
By El Paso for New Co.	1017	348
By New Co. for El Paso	354	95

1/ Assuming certification of El Paso's 250 Mcf/d project

2/ As of 5/1/64 ;for future years, we have assumed that the per cent of total production by formation gathered by El Paso for New Company and by New Company for El Paso will be equal to said percentages as they existed as of 5/1/64.

Item 2(c)

Question: Please furnish the basis for the determination of the 4.5¢ per MCF charge including the net investment in gathering facilities of New Company and El Paso, and the gathering costs used in arriving at the 4.5¢ per MCF charge.

Response: The 4.5¢ per MCF charge is not based upon any specific cost study. It was arrived at on the basis of El Paso's general knowledge of gathering costs in the San Juan Basin gained through its experience over the years, and was substantially influenced by the gathering charge paid by El Paso to Southern Union Gathering Company in the same area under a contract which was negotiated at arms length and which has been accepted and made effective by the Federal Power Commission.

Although the 4.5¢ per MCF gathering charge was not arrived at from any specific study of costs we have, as a result of your inquiry, prepared the attached study based upon the most current figures available. That study shows that El Paso's cost of gathering in the San Juan Basin at the present time substantially exceeds the proposed 4.5¢ per MCF charge. The study also shows that through greater utilization of the gathering facilities in the San Juan Basin the average cost can be reduced, so that if greater volumes are delivered from the San Juan Basin, the average cost will approach the 4.5¢ figure, although the proposed rate will probably be on the low side.

Item 2(c)

EL PASO NATURAL GAS COMPANY

Cost of Gathering - San Juan Basin

Line No.	Description (a)	Budget Estimate, 1964 (b)	Line No.
1	Operation and Maintenance Expenses	$ 4,134,679	1
2	Administrative and General Expenses	1,211,157	2
3	Depreciation and Amortization	5,315,015	3
4	Taxes Other than Federal Income Tax	530,485	4
5	Federal Income Tax (48% Rate)	2,330,020	5
6	Return at 6-1/8%	6,036,676	6
7	Total Cost of Service	$19,558,027	7
	Volumes - MCF at 14.9 psia		
8	Total	339,109,785	8
9	Less - Volumes Gathered by Others	25,946,200	9
10	Balance - Gathered by El Paso	313,163,585	10
	Cost per MCF		
11	On Total Volume	5.77¢	11
12	On Volume Gathered by El Paso	6.25¢	12
	Load Factor on Facilities		
13	Volume Gathered by El Paso - M^3CF	313.2	13
14	Capacity at 1.5 M^3CF/D	549.0	14
15	Load Factor	57.0%	15
	Cost per MCF at 75% Load Factor		
16	Volumes - (1.125 M^3CF/D)	411,750,000	16
17	Cost per MCF	4.75¢	17
	Estimated Future Load Factor - Including 250 M^3CF Additional to California		
18	1965	61.8%	18
19	1966	68.9%	19
20	1967	77.9%	20
21	1968	80.3%	21

NOTES

EL PASO NATURAL GAS COMPANY

Estimated Gathering Charges in San Juan Basin
as Included in El Paso Exhibits in
Docket No. CP64-76 - All Volumes in MCF at 15.025 psia

Line No.	Description (A)	(Actual) 1963 (B)	1964 (c)	1965 (d)	1966 (e)	1967 (f)	1968 (g)	1969 (h)	1970 (i)	Line No.
	220 M MCF Proposal (Exhibit 1964)									
	Southern Union Gathering Co.									
	Charge to El Paso									
1	Average Daily Volume	43,077	78,630	83,140	88,415	91,670	93,140	91,572	91,768	1
2	Annual Volume	15,723,183	28,778,618	30,346,116	32,636,389	33,459,455	34,089,586	33,423,671	33,495,242	2
3	Average Rate (1)	5.17¢	4.20¢	4.35¢	4.04¢	4.59¢	4.55¢	4.59¢	4.59¢	3
4	Annual Amount	$813,068	$1,209,431	$1,318,638	$1,319,093	$1,536,470	$1,552,217	$1,535,575	$1,537,364	4
	El Paso Charge to New Company									
5	Average Daily Volume			80,000	86,071	44,474	52,128	52,922	55,409	5
6	Annual Volume			10,933,250	13,165,849	16,233,025	19,078,932	19,316,643	20,224,183	6
7	Average Rate			4.50¢	4.50¢	4.50¢	4.50¢	4.50¢	4.50¢	7
8	Annual Amount			$ 492,095	$ 592,463	$ 730,486	$ 858,552	$ 869,239	$ 910,088	8
	373 M MCF Proposal (Exhibit 1964)									
	Southern Union Gathering Co.									
	Charge to El Paso									
9	Average Daily Volume	43,077	78,630	80,297	111,573	112,357	116,278	113,631	112,847	9
10	Annual Volume	15,723,183	28,778,618	29,308,336	40,725,915	41,010,300	42,557,907	41,475,411	41,189,127	10
11	Average Rate (1)	5.17¢	4.20¢	4.41¢	4.22¢	4.21¢	4.14¢	4.19¢	4.20¢	11
12	Annual Amount	$813,068	$1,209,431	$1,292,694	$1,718,107	$1,725,234	$1,763,926	$1,736,884	$1,729,707	12
	El Paso Charge to New Company									
13	Average Daily Volume			80,000	86,071	44,474	52,128	52,922	55,409	13
14	Annual Volume			10,933,250	13,165,849	16,233,025	19,078,932	19,316,643	20,224,183	14
15	Average Rate			4.50¢	4.50¢	4.50¢	4.50¢	4.50¢	4.50¢	15
16	Annual Amount			$ 492,095	$ 592,463	$ 730,486	$ 858,552	$ 869,239	$ 910,088	16

(1) Southern Union Contract (Southern Union Gathering Co. FPC Gas Rate Schedule No. 1) provides for a gathering charge consisting of a demand charge of 50-1/3¢ per month per MCF of billing demand and a commodity charge of 3-1/3¢ per MCF delivered.

Contract Demand	
1963	40,000
1964	70,000
1965	80,000
1966-70	100,000

Average Rates	
100% Load Factor	4.45¢
90% Load Factor	4.62¢
80% Load Factor	4.90¢
70% Load Factor	5.24¢
60% Load Factor	5.70¢
50% Load Factor	6.34¢

Deb 41

In United States District Court

Plaintiff's Exhibit 8

(See opposite) ☞

IN UNITED STATES DISTRICT COURT
PLAINTIFF'S EXHIBIT 8

PACIFIC NORTHWEST PIPELINE CORPORATION
FPC Gas Tariff
Original Volume No. 2

Original Sheet No. 92

RATE SCHEDULE X-5

AGREEMENT

between

EL PASO NATURAL GAS COMPANY

and

PACIFIC NORTHWEST PIPELINE CORPORATION

Dated

September 1, 1959

Sale and delivery of certain volumes of natural gas to El Paso at a point on Pacific's main line transmission system at the outlet of Pacific's Compressor Station No. 1 near Ignacio, Colorado.

Issued by: Paul Kayser, President
Issued on:

Effective:

[fol. 920]

PACIFIC NORTHWEST PIPELINE CORPORATION
FPC Gas Tariff
Original Volume No. 2

Original Sheet No. 93

RATE SCHEDULE X-5

THIS AGREEMENT, dated as of September 1, 1959, by and between PACIFIC NORTHWEST PIPELINE CORPORATION, a Delaware corporation, hereinafter referred to as "Pacific", and EL PASO NATURAL GAS COMPANY, a Delaware corporation, hereinafter referred to as "El Paso".

W I T N E S S E T H:

WHEREAS, Pacific is party to a letter agreement with Westcoast Transmission Company Limited, hereinafter referred to as "Westcoast", dated May 25, 1957, as hitherto amended, covering the sale and delivery of up to 150 million cubic feet of natural gas per day by Westcoast and the purchase and receipt thereof by Pacific at a point of delivery on the International Boundary near Kingsgate, British Columbia, hereinafter referred to as "Kingsgate Agreement";

WHEREAS, Pacific is also party to a letter agreement with Pacific Gas Transmission Company, hereinafter referred to as "P.G.T.," dated November 13, 1958, covering transportation of the aforesaid daily volumes of natural gas by P.G.T. for Pacific from the International Boundary to a point of delivery on P.G.T.'s proposed pipeline near Pacific's existing pipeline system in the vicinity of Spokane, Washington, hereinafter referred to as "P.G.T. Agreement"; and

WHEREAS, Pacific desires to sell and deliver natural gas to El Paso and El Paso desires to purchase and receive such gas from Pacific in daily volumes substantially equivalent to those concurrently delivered to Pacific by P.G.T., as aforesaid;

NOW, THEREFORE, in consideration of the premises and mutual covenants hereinafter set forth, Pacific and El Paso covenant and agree as follows:

ARTICLE I

Representations

1. Pacific's Representations:

Pacific represents that for the purpose of enabling it to make the deliveries to El Paso of up to 150 million cubic feet of gas per day, Pacific proposes to expand certain of its facilities in order to enable Pacific to take concurrent delivery of the said substantially equivalent volumes from P.G.T.

Issued by: Paul Kayser, President
Issued on:

Effective:

RATE SCHEDULE X-5
(Continued)

2. Pacific's and El Paso's Performance with Diligence:

Pacific and El Paso agree to proceed with diligence and at their own expense but with full cooperation in their respective endeavors to procure all governmental authorizations, permits and licenses necessary for the construction and operation of such additional pipeline facilities, if any, as may be required to implement the activities contemplated hereby, and to authorize the purchase and sale of gas as contemplated hereby and upon procuring the same, to proceed with diligence with the construction of the said additional pipeline facilities as required to carry out the purpose and intent of this agreement.

3. Right to Cancel:

Upon the happening of any one of the following contingencies,

(a) The issuance by the Federal Power Commission to El Paso or Pacific of an order refusing to grant said authorizations for the construction and operation of said additional pipeline facilities, or refusing to authorize the purchase and sale of gas hereunder or granting such authorizations with conditions or restrictions which are unacceptable to the recipient; or

(b) cancellation of the Kingsgate Agreement or its contemplated definitive agreement, following execution thereof, by either party thereto for any reason authorized therein,

either party shall have the right to terminate this contract by written notice to be delivered to the other not later than Thirty (30) days after the happening of such contingency.

4. Modification of Kingsgate Agreement:

Pacific agrees that, except in accordance with the terms thereof, it will not without first obtaining the consent of El Paso in writing, cancel either the Kingsgate Agreement or the P.G.T. Agreement or the definitive agreements contemplated by each following execution thereof, or modify the same in any manner which would prejudicially affect the rights of El Paso hereunder or the ability of Pacific to perform its obligations hereunder to El Paso.

RATE SCHEDULE X-5
(Continued)

5. Non-Waiver of Remedies:

The right of Pacific or El Paso, as the case may be, to terminate this contract upon the happening of any of the contingencies described in Section 3 of this Article I shall not exclude any rights and remedies such party may have by reason of the other party's failure to proceed with diligence as above provided.

ARTICLE II

Term

Except as provided in Article I, this Agreement shall be and remain in force and effect from and after the date hereof until January First following the date of first delivery of gas hereunder, and thereafter for a period of Twenty (20) years, and from year to year thereafter until terminated on Eighteen (18) months' notice in writing given by either party to the other.

ARTICLE III

Definitions

Except where the context expressly states another meaning the following terms when used in this Agreement shall have the following meanings:

1. The term "day" shall mean a period of Twenty-four (24) consecutive hours beginning and ending at Eight (8:00) A.M. Pacific Standard Time.

2. The term "month" shall mean the period beginning at Eight (8:00) A.M. on the First day of the calendar month and ending at Eight (8:00) A.M. on the first day of the next succeeding calendar month.

3. The term "year" shall mean a period of Twelve (12) consecutive months beginning with January First.

4. The term "cubic foot" shall mean the volume of gas which occupies One (1) cubic foot when such gas is at a temperature of Sixty Degrees Fahrenheit (60°F.), and Fourteen and Nine-tenths pounds (14.9#) per square inch absolute.

RATE SCHEDULE X-5
(Continued)

5. The term "Mcf," shall mean One Thousand (1,000) cubic feet.

6. The term "British Thermal Units" shall mean the amount of heat required to raise the temperature of One pound (1#) of Water One Degree Fahrenheit (1°F.) at Sixty Degrees Fahrenheit (60°F.).

7. The term "total heating value", when applied to a cubic foot of gas, means the number of British Thermal Units produced by the combustion in a recording calorimeter at a constant pressure, of the amount of gas which would occupy a volume of One (1) cubic foot at a temperature of Sixty Degrees Fahrenheit (60°F.), if saturated with water vapor, and under a pressure equal to that of Thirty (30) inches of mercury at Thirty-two Degrees Fahrenheit (32°F.) and under standard gravitational force (acceleration Nine Hundred and Eighty and Six Hundred and Sixty-Five Thousandths (980.665) cm. per second per second) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of the gas and air, and when the water formed by combustion is condensed to the liquid state.

8. The term "gas" means natural gas obtained from wells or the residue which remains after natural gas has been subjected to any permissible process or processes provided hereunder.

ARTICLE IV

Purchase and Sale of Gas

El Paso agrees to take and purchase from Pacific and Pacific agrees to sell and deliver to El Paso commencing January 1, 1961, natural gas in daily volumes substantially equivalent to those from time to time then being received by Pacific from P.G.T., the point of delivery from P.G.T. to be at the point of interconnection between the facilities of P.G.T. and Pacific in the vicinity of Spokane, Washington; provided, however, and notwithstanding the foregoing, that Pacific shall have the unrestricted right to curtail or interrupt such deliveries with prior notice to El Paso whenever and to the extent, in Pacific's sole judgment, such curtailment or interruption is required in order that Pacific may satisfy the demands of its other customers for natural gas service.

[fol. 924]

RATE SCHEDULE X-5
(Continued)

ARTICLE V

Price

Pacific agrees to sell and deliver and El Paso agrees to accept and pay for all gas delivered by Pacific to El Paso hereunder at a price per Mcf comprised of the following elements:

(a) The price per Mcf then payable by Pacific to Westcoast for natural gas delivered by Westcoast to Pacific at a point on the International Boundary near Kingsgate, British Columbia;

(b) The transportation charge, on an Mcf basis, then payable by Pacific to P.G.T. for natural gas transported by P.G.T. for Pacific to the point of interconnection between the facilities of P.G.T. and Pacific in the vicinity of Spokane, Washington; and

(c) A charge per Mcf equal to the incremental Mcf cost of service incurred by Pacific in transporting the gas from the delivery point referred to in (b) above through the facilities to be constructed by Pacific and utilized by Pacific in transporting such gas into the pipeline facilities of Pacific, including a six and one-half per cent (6½%) rate of return on the net investment of Pacific in such facilities to be constructed and the Federal income taxes properly allocable to such return.

Notwithstanding the foregoing provisions of this Section 2, Article V, it is agreed that Pacific shall have the right to make, and to file with the Federal Power Commission, in accordance with Section 4 of the Natural Gas Act, changes in rates and new rates or rate schedules, provided, however, that El Paso shall have the right to protest any such changes in rates and new rates or rate schedules before said Commission, and to exercise any other rights it may have with respect thereto under the Natural Gas Act, as amended, or as it may be amended.

ARTICLE VI

Delivery Points and Applicable Pressures

1. Delivery Points:

The gas to be delivered by Pacific to El Paso hereunder shall be delivered at a point on Pacific's main line transmission system at the outlet of Pacific's Compressor Station No. 1 near Ignacio, Colorado, until such time

RATE SCHEDULE X-5
(Continued)

as El Paso, following notice to Pacific and in exercise of its right hereby conferred, shall direct that such deliveries be made at a point to be located at the discharge side of Pacific's No. 6 Compressor Station near Rock Springs, Wyoming.

2. Delivery Pressure:

The gas to be delivered by Pacific to El Paso hereunder shall be delivered at pressures requested by El Paso but not in excess of Nine Hundred and twenty pounds per square inch gauge (920 psig).

ARTICLE VII

Quality

1. General Specifications:

All gas delivered by Pacific to El Paso hereunder shall conform to the following specifications:

(a) Oxygen:

The gas shall not at any time have an oxygen content in excess of Two-tenths of One per cent (0.2%) by volume and Pacific shall make every reasonable effort to keep the gas free of oxygen.

(b) Liquids:

All gas to be delivered hereunder shall be dehydrated by Pacific and shall in no event have a water content in excess of Seven pounds (7#) of water per One Million (1,000,000) cubic feet of gas measured at a pressure base of Fourteen and Nine-tenths pounds (14.9#) per square inch gauge and at a temperature of Sixty Degrees Fahrenheit (60°F.) as determined by dew point apparatus approved by the U. S. Bureau of Mines.

(c) Hydrogen Sulphide:

The gas shall not contain more than Twenty-five Hundredths (0.25) of One (1) grain of hydrogen sulphide per One Hundred (100) standard cubic feet.

(d) Organic Sulphur:

The gas shall not contain more than Five (5) grains of organic sulphur (mercaptans) per One Hundred (100) standard cubic feet.

[fol. 926]

PACIFIC NORTHWEST PIPELINE CORPORATION
FPC Gas Tariff
Original Volume No. 2

Original Sheet No. 99

RATE SCHEDULE X-5
(Continued)

(e) Carbon Dioxide:

The gas shall not have a carbon dioxide content in excess of One per cent (1%) by volume.

(f) Dust, Gum, etc.:

The gas shall be commercially free of dust, gums, and other solid matter.

(g) Heating Value:

The gas shall have a total heating value per cubic foot of not less than One Thousand (1,000) British Thermal Units.

2. Failure to Meet Specifications:

If the gas offered for delivery by Pacific hereunder shall fail at any time to conform to any of the specifications set forth above in this Article VII then El Paso agrees to notify Pacific of such deficiency and if Pacific fails promptly to remedy any deficiency in quality as specified herein, then El Paso may, at its option refuse to accept delivery pending correction by Pacific, or may accept delivery of such gas and may make changes necessary to bring such gas into conformity with such specifications, and Pacific shall reimburse El Paso for any reasonable expense incurred by it in effecting changes to enable the gas to comply with the specifications set forth in Section 1 of this Article VII.

3. Processing:

Gas covered hereby may be subjected to any or all of the following permissible processes:

(a) The removal from the natural gas as obtained from the wells of any of its constituent parts other than methane, and the removal of methane to such extent as is necessary in removing other constituents.

(b) The subjection of the gas to compression, regulation, cooling, cleaning, or any other chemical or physical process, to such extent as may be required in its production, gathering, transmission, storage, removal from storage and delivery, but no dilutents such as air or nitrogen shall be added.

Issued by: Paul Kayser, President
Issued on:

Effective:

RATE SCHEDULE X-5
(Continued)

ARTICLE VIII

Measurement

1. Unit of Volume:

The unit of volume of gas for all purposes hereunder (except for computation of heating value under the provisions of Section 7 of Article III hereof) shall be One (1) cubic foot at an absolute pressure of Fourteen and Nine-tenths pounds (14.9#) per square inch at a temperature of Sixty Degrees Fahrenheit (60°F.), computed in accordance with Boyle's Law governing pressure and volume of gases (with corrections for deviation as hereinafter provided).

2. Determination of Volume:

The volume of gas delivered hereunder shall be computed in accordance with the methods prescribed in Gas Measurement Committee Report No. 3, Natural Gas Department, American Gas Association, as published in April, 1955.

3. Deviation from Boyle's Law:

The deviation of the gas from Boyle's Law at the pressures and temperatures at which the gas is metered shall be determined by tests or analyses at monthly intervals. The method of making such tests or analyses shall be determined by mutual agreement, but in the event of the inability of the parties to agree, shall be made by a laboratory selected by the parties, whose tests or analyses shall be accepted as final. The results of each such determination shall be used in computing the volumes of gas delivered hereunder during the month next following the taking of the sample from which such determination is made.

4. Specific Gravity:

The specific gravity of the gas delivered shall be determined by means of recording gravitometer to be installed on the upstream side of the point where the gas is metered, and the arithmetic average specific gravity each day at such point shall be used in computing deliveries of gas during the day at such points.

5. Flowing Temperatures:

The flowing temperature of the gas in the meters shall be determined by means of a recording thermometer to be installed in accordance

RATE SCHEDULE X-5
(Continued)

with the recommendations contained in the said Gas Measurement Report No. 3, and the arithmetic average temperature each day shall be used in computing the deliveries of gas during such day.

6. Assumed Atmospheric Pressure:

The average absolute atmospheric pressure of each delivery point hereunder shall be determined by the parties on the basis of the application of the customary formula to the actual elevation of such delivery point and such determination shall govern, irrespective of the actual elevation or location of the point of delivery above sea level or variations in such atmospheric pressure from time to time.

7. Heating Value:

The heating value of the gas delivered hereunder shall be determined by means of a recording calorimeter using the Thomas Principle of calorimetry or its equal.

ARTICLE IX

Measuring Equipment

1. At its sole cost and expense, Pacific shall install, maintain and operate at the point of each delivery, a standard type orifice meter or meters for the measuring of the quantity of gas delivered hereunder. Orifice meters shall be installed and operated in accordance with the specifications prescribed in Gas Measurement Committee Report No. 3, dated April, 1955, of the Natural Gas Department of the American Gas Association. The delivering party shall cause the charts on such meter to be changed daily. The respective meter, meter readings and meter charts shall be accessible, at all reasonable times, to inspection and examination by El Paso at the point of delivery.

2. Once each month the accuracy of the measuring equipment shall be verified by and at Pacific's expense in the presence of El Paso's representative and the parties shall jointly observe any adjustments which are made in such measuring equipment. If either party at any time shall notify the other that it desires a special test of any meter, the other party shall cooperate to secure an immediate verification of the accuracy of such meter and joint observation of any adjustments. Pacific shall give El Paso notice of the time of all tests in order that El Paso may conveniently have its representative present. Reading, calibration and adjustment of Pacific's meters and changing of charts shall be done by it.

RATE SCHEDULE X-5
(Continued)

3. If, upon any test, the percentage of inaccuracy shall be Two Per cent (2%) or more, the registration of such meter shall be corrected at the rate of such inaccuracy for any period which is definitely known or agreed upon but, in case the period is not definitely known or agreed upon, then for a period extending back one-half (½) of the time elapsed since the date of the last calibration. Following any test, metering equipment found inaccurate shall be immediately restored by Pacific as closely as possible to a condition of accuracy. If, for any reason, any meter is out of service and/or out of repair so that the amount of natural gas delivered cannot be estimated or computed from the reading thereof, the amount of natural gas delivered during the period such meter is out of service and/or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available, using the first of the following methods which is feasible:

(a) By correcting the error if the percentage of error is ascertainable by calibration test or mathematical calculation;

(b) By using the registration of the receiving party's check meter, if installed and accurately registering;

(c) By estimating the quantity of delivery by deliveries during preceding periods under similar conditions when the meter was registering accurately.

4. El Paso, at its option and expense, may install and operate check meters to check Pacific's meters, but measurement of gas for the purpose of this agreement shall be by Pacific's meter, except as hereinabove specifically provided to the contrary.

5. Pacific shall cause to be preserved for a period of at least six (6) years all test data, charts and other records of gas measurement or such further period as applicable regulation may require.

ARTICLE X

Statements and Payments

1. Billing:

On or before the Fifteenth (15th) day of each calendar month, Pacific shall render to El Paso a statement for all natural gas delivered to El Paso under this agreement during the preceding calendar month. Such

[fol. 930]

RATE SCHEDULE X-5
(Continued)

statement shall be accompanied by measurement charts and records from Pacific's metering equipment for inspection and verification by El Paso, subject to return thereof within Thirty (30) days after receipt thereof.

2. Payments:

El Paso shall pay to Pacific, at Pacific's office specified in accordance with the provisions of Section 2 of Article XIV, on or before the Twenty-fifth (25th) day of each month for the natural gas delivered by Pacific to El Paso hereunder during the preceding calendar month as billed in the statement for said month.

3. Adjustments for Over and Under Billing:

Statements or payments made hereunder shall be based upon Pacific's measurements and computations but the receipt and acceptance thereof shall not be binding upon El Paso or prevent El Paso from correcting errors in such statements or payments or any errors of measurement or computation upon which such statements or payments are based until the expiration of one year following the rendition to El Paso of any statement to which such corrections apply.

ARTICLE XI

Possession of Gas

1. Point of Delivery Controls:

As between the parties hereto, Pacific shall be deemed to be in control and possession of the gas deliverable hereunder until it shall have been delivered to El Paso, after which El Paso shall be deemed to be in control and possession thereof.

2. Responsibility:

El Paso shall have no responsibility with respect to any gas deliverable hereunder until it is delivered into the facilities of El Paso or on account of anything which may be done, happen or arise with respect to such gas before such delivery and Pacific shall have no responsibility with respect to such gas after its delivery into the facilities of El Paso or on account of anything which may be done, happen or arise with respect to such gas after such delivery.

RATE SCHEDULE X-5
(Continued)

ARTICLE XII

Warranty and Title of Gas

Pacific warrants generally the title to all gas delivered to El Paso hereunder and its right to sell the same, and warrants that such gas shall be free and clear of all liens and adverse claims.

ARTICLE XIII

Force Majeure

No failure or delay in performance of this agreement by either party hereto shall be deemed to be a breach of this Agreement when such failure or delay is occasioned by or due to any Act of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of rulers and peoples, civil disturbances, explosions, sabotage, breakage or accident to machinery or lines or pipe, temporary or permanent failure of deliveries of gas to Pacific at the International Border by Westcoast, inability to obtain pipe, materials or equipments, the binding order of any court or governmental authority, or any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming force majeure; provided that no cause or contengency shall relieve either party of its obligation to make payment for gas delivered hereunder. In the event of the partial or complete failure of Westcoast to deliver to Pacific under all of the terms of the Kingsgate Agreement or its contemplated definitive agreement the full contract demand therein stated, the volume specified in Article IV shall be reduced during the period such partial or complete failure to make such deliveries exists. The amount of the reduction shall be computed by multiplying the said volume hereunder otherwise applicable by a fraction the numerator of which is the amount of the deficiency in deliveries below contract demand under the Kingsgate Agreement or its contemplated definitive agreement, and the denominator of which is the contract demand under the said Kingsgate Agreement or its contemplated definitive agreement.

ARTICLE XIV

Miscellaneous

1. Non-Waiver of Future Default:

No waiver by either party of any one or more defaults by the other

[fol. 932]

RATE SCHEDULE X-5
(Continued)

in the performance of any of the provisions of this contract shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or of a different character.

2. Notices:

Except as herein otherwise provided, any notice, request, demand, statement or bill provided for in this contract, or any notice which either party may desire to give to the other, shall be in writing and shall be considered as fully delivered when mailed by registered mail to the post office address of either of the parties hereto, as the case may be, as follows:

El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas

Pacific Northwest Pipeline Corporation
P. O. Box 1526
Salt Lake City 10, Utah

or at such other address as either party shall designate by formal written notice. Routine communications, including monthly statements and payments, shall be considered as duly delivered when mailed by either registered or ordinary mail.

3. Examination of Records:

Each party shall have the right to examine at reasonable times the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge, computation or demand made under or pursuant to any of the provisions of this contract.

4. Compliance with Laws:

This contract and the respective obligations of the parties hereunder are subject to present and future valid laws and valid orders, rules and regulations of duly constituted authorities having jurisdiction, but in no event shall El Paso be obligated to pay more for gas delivered hereunder than the prices set forth in this contract.

5. Assignments:

Neither party hereto shall assign this Agreement or any of its rights or obligations hereunder without the consent in writing of the other

RATE SCHEDULE X-5
(Continued)

party; provided that either party may, without such consent, assign this agreement and all its rights and obligations hereunder to any wholly owned subsidiary; but neither of such assignments shall operate to relieve either El Paso or Pacific of its respective obligations to the other hereunder. Either Pacific or El Paso, or both, may assign its right, title and interest in, to and by virtue of this Agreement, including any and all extensions, renewals, amendments and supplements thereto, to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities, without such trustee or trustees assuming or becoming in any respect obligated to perform any of the obligations of the assignor and, if any such trustee be a corporation, without its being required by the parties hereto to qualify to do business in the state in which the performance of this Agreement may occur.

6. Additional Documents:

Each party agrees to execute such additional documents as may be required to effectuate this Agreement.

7. State Laws:

This agreement shall be construed in accordance with the Laws of the State of Texas.

IN WITNESS WHEREOF the parties hereto have caused these presents to be duly executed by their proper officer duly authorized and their respective corporate seals to be affixed as of the day and year first above written.

PACIFIC NORTHWEST PIPELINE CORPORATION

ATTEST: By _____
Vice President

_____
Assistant Secretary

EL PASO NATURAL GAS COMPANY

ATTEST: By _____
Executive Vice President

_____
Assistant Secretary

[fol. 934]

IN UNITED STATES DISTRICT COURT
PLAINTIFF'S EXHIBIT 10

EL PASO NATURAL GAS COMPANY
PROCESS CALCULATIONS

Sheet No.
Date
Preliminary
Final
By Chk.

SUBJECT New Company Acquisitions For Years 1957-1963

	Reserve billion CF.
Kings gate	1020
Big Piney	345
Additional B.P.	1200
Rocky Mtn.	141
San Juan	285
	2,991

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[fol. 935]

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S EXHIBIT 11

PACIFIC NORTHWEST PIPELINE CORPORATION

SALT LAKE CITY, UTAH

Reply to:
P. O. Box 1526
Salt Lake City 10, Utah

August 16, 1958

In re: Gas Purchase Contract
Hogsback Unit Area, Sublette
and Lincoln Counties, Wyoming

General Petroleum Corporation
612 South Flower Street
Los Angeles 54, California

Gentlemen:

Reference is made to that certain agreement dated May 15, 1956, between General Petroleum Corporation (hereinafter referred to as "Seller") and Pacific Northwest Pipeline Corporation (hereinafter referred to as "Buyer") and to the several amendments thereto, and more particularly to that certain letter amendment dated March 24, 1958.

At the time of the execution of said March 24th amendment, Buyer proposed to construct facilities necessary to sell and deliver volumes of gas from the Hogsback Unit Area to El Paso Natural Gas Company (hereinafter referred to as "El Paso") at Twin Falls, Idaho, as stated in the first paragraph of said letter, it then being contemplated that El Paso should accept delivery of such gas at

Twin Falls, and by the construction and use of further facilities deliver same for sale to the California market. Seller and Buyer now desire to eliminate Twin Falls as the point of delivery of gas by Buyer to El Paso and to authorize Buyer to substitute an alternate delivery point, such delivery point not having been determined as of the date of this letter.

In view of the foregoing, Seller and Buyer agree as follows:

The first paragraph of the aforementioned letter dated March 24, 1958, shall be stricken and the following substituted therefor:

"This letter refers to the agreement dated May 15, 1956, between General Petroleum Corporation (hereinafter referred to as "Seller") and Pacific Northwest Pipeline Corporation (hereinafter referred to as "Buyer"), as heretofore amended (said agreement as so amended being hereinafter referred to as the "Hogsback Contract"), providing for the sale and purchase of certain volumes of natural gas produced in the Hogsback Unit Area, Sublette and Lincoln Counties, Wyoming. It is believed that Seller has or can develop for delivery from the Hogsback Area additional volumes of gas, and Buyer proposes to acquire additional gas reserves and construct [fol. 936] the facilities necessary to sell and deliver volumes of gas to El Paso for delivery and sale by El Paso to the California Market."

Subsection (b) of section 3.1 of the May 15, 1956, agreement as amended at the bottom of Page 2 of said March 24, 1958, letter shall be amended by striking all of said Subsection (b) as set out at the bottom of Page 2 in said letter and substituting therefor the following:

"(b) Commencing on the date that Buyer's additional facilities required to deliver gas from the Hogsback Unit

Area to El Paso (or to another company for El Paso's account) for delivery and sale by El Paso to the California market have been completed and placed in operation or on July 1, 1960, whichever may be the earlier, Buyer agrees to take and pay for, or to pay for if not taken, during each calendar year, Seller's share of a minimum average daily quantity of ninety million cubic feet (90,000 Mcf). Seller shall be obligated to deliver and Buyer shall have the right to receive deliveries of gas at a maximum daily rate of one hundred ten million cubic feet (110,000 Mcf) per day."

The last paragraph on Page 5 of the aforementioned March 24, 1958, letter shall be stricken and the following substituted therefor:

"Buyer agrees that it will file on or before October 1, 1958, and diligently prosecute an Application to the Federal Power Commission (the "FPC") for a Certificate of Public Convenience and Necessity authorizing the construction and operation of the additional facilities necessary to sell and deliver volumes of gas from the Hogsback Unit Area to El Paso (or to another company for El Paso's account) for delivery and sale by El Paso to the California market. Seller agrees that it will file an Application with the FPC for a Certificate of Public Convenience and Necessity authorizing the sale and delivery to Buyer of the volumes of gas contemplated hereby and authorizing the collection and receipt of the rate herein provided contemplated to become effective as provided by Subparagraph (b) of Paragraph 7.1 of the Hogsback Contract as amended hereby."

[fol. 937] Except as hereby amended, the Hogsback Contract shall continue in full force and effect as originally written and heretofore amended.

Please indicate your approval of and agreement to the foregoing by signing the enclosed extra copy of this letter in the space provided below and return same to us.

Yours very truly,

PACIFIC NORTHWEST PIPELINE CORPORATION

By /s/ ALLEN B. HIATT, JR.

APPROVED AND AGREED TO:

GENERAL PETROLEUM CORPORATION

By R. O. Swayze

August 27, 1958

[fol. 938]

PACIFIC NORTHWEST PIPELINE CORPORATION

SALT LAKE CITY, UTAH

Reply to:
P. O. Box 1526
Salt Lake City 10, Utah

March 22, 1958

General Petroleum Corporation
612 South Flower Street
Los Angeles 54, California

Re: Gas Purchase Contract
Tip Top Unit Area
Sublette County, Wyoming

Gentlemen:

This letter refers to the agreement dated July 15, 1953, between General Petroleum Corporation (hereinafter referred to as "Seller") and Pacific Northwest Pipeline Corporation (hereinafter referred to as "Buyer"), as heretofore amended (said agreement as so amended being hereinafter referred to as the "Tip Top Contract"), pro-

viding for the sale and purchase of certain volumes of natural gas produced in the Tip Top Unit Area, Sublette County, Wyoming. It is believed that Seller has or can develop for delivery from the Tip Top Area additional volumes of gas, and Buyer proposes to acquire additional gas reserves and construct the facilities necessary to sell and deliver volumes of gas to El Paso Natural Gas Company at Twin Falls, Idaho.

This letter is to evidence our understanding and agreement whereby the Tip Top Contract shall be amended in certain respects, as follows:

1. Paragraphs 2.2 and 2.3 of Article II are amended to read as follows:

"2.2 Subject to the other provisions hereof, this agreement shall be in force for an original term from its date until the expiration of a twenty (20) year period following the date specified in Paragraph 3.1 (b) hereof, and for an extended term of month to month thereafter until cancelled by either party upon thirty days' written notice given to the other party."

[fol. 939] "2.3 The first delivery of gas hereunder or Buyer's obligation to pay for gas not taken shall commence on November 1, 1956."

2. Paragraph 3.1 of Article III is amended to read as follows:

"3.1 (a) Subject to the terms and provisions of this agreement, Buyer agrees to purchase from Seller and Seller agrees to sell and deliver to Buyer from the lands covered hereby a total of nine hundred billion cubic feet (900,000,000 Mcf.) of gas during the term of this contract. Buyer agrees to take and pay for, or to pay for if not taken, an average of twenty million cubic feet (20,000 Mcf.) per day for the period from the date of first delivery up to June 30, 1958 inclusive and thirty million cubic feet (30,000 Mcf.) per day

thereafter until the date specified in Paragraph 3.1 (b) hereof. The gas sold and purchased hereunder shall be delivered at a maximum daily rate of forty million cubic feet (40,000 Mcf.).

(b) Commencing on the date that Buyer's additional facilities required to deliver gas to El Paso Natural Gas Company at Twin Falls, Idaho, have been completed and placed in operation or July 1, 1960, whichever may be the earlier, Buyer agrees to take and pay for, or to pay for if not taken, during each calendar year, a minimum average daily quantity of ninety million cubic feet (90,000 Mcf.). Seller shall be obligated to deliver and Buyer shall have the right to receive deliveries of gas at a maximum daily rate of one hundred ten million cubic feet (110,000 Mcf.) per day.

(c) Buyer shall have the right to purchase and receive Seller's share of such additional gas as may be produced from or allocated to the lands described in Exhibit "A" annexed hereto, all on the measurement basis set forth herein. This agreement and all of Seller's and Buyer's obligations hereunder shall terminate when a total of nine hundred billion cubic feet (900,000,000 Mcf.) of gas has been delivered to Buyer hereunder, or the economically recoverable gas reserves available for delivery hereunder shall have been depleted, whichever shall first occur."

[fol. 940] 3. Paragraph 3.2 of Article III is amended to read as follows:

"3.2 (a) If, during any calendar year, Buyer shall fail to receive delivery of all gas paid for hereunder, subject to the availability of gas from the leases subject hereto in excess of the minimum quantities of gas which Buyer is then obligated to take or pay for, Buyer shall have the right during the succeeding two calendar years to receive the quantity of gas previously paid

for but not taken, without additional cost. The amount of gas so made up in any succeeding calendar year shall constitue no part of the minimum quantities of gas which Buyer is required to take or to pay for if not taken during the year in which makeup gas is received. For the purpose of recoupment by Buyer, the value of gas received as makeup gas shall be determined on the basis of prices effective under this agreement on the date such gas was paid for but not taken, except that in the event Seller is required to pay additional royalty or overriding royalty because of Buyer's delay in taking gas previously paid for, then Buyer shall reimburse Seller for such additional royalty and overriding royalty which Seller must pay. It is understood that this proviso shall not be applicable to royalties and overriding royalties aggregating in excess of 17½%.

(b) Notwithstanding any provision herein to the contrary, Buyer's obligation to take or to pay for if not taken, the volumes of gas as provided in Subparagraph (b) of the foregoing Paragraph 3.1 shall not commence until Seller shall have made available for delivery to Buyer all gas for which it has paid under Subparagraph (a) of Paragraph 3.1."

4. Paragraph 3.4 of Article III is amended to read as follows:

"3.4 If at any time after two (2) years from the date of first delivery of gas under Subparagraph (a) of Paragraph 3.1 hereof Seller is unable to deliver to Buyer for any period of three consecutive calendar months gas at the maximum daily rate at which Buyer is entitled to purchase, then Buyer may, for the period [fol. 941] of Seller's said inability to deliver and for six months thereafter, reduce the daily contract quantity which Buyer is required to take or to pay for if not taken as specified in said Subparagraph (a) to

two-thirds of such average daily quantity as Seller did deliver during each such three-month period. After the commencement of delivery of the volumes of gas provided for in Subparagraph (b) of Paragraph 3.1 hereof, in the event Seller is incapable of delivering to Buyer the volumes of gas at the maximum daily rate which Buyer is entitled to purchase, then the minimum average daily quantity which Buyer shall be required to take or to pay for if not taken shall be reduced to seventy-five per cent (75%) of the quantity which Seller is capable of delivering during such month; provided, however, that for the first six months after the commencement of deliveries under said Subparagraph (b) Buyer shall take, or pay for if not taken, the entire quantities which Seller is capable of delivering but not in excess of the minimum daily average quantities which Buyer is obligated to take under said Subparagraph (b) of Paragraph 3.1".

5. Paragraph 7.1 of Article VII is amended to read as follows:

"7.1 Subject to the other provisions hereof, the prices to be paid by Buyer to Seller for gas delivered to Buyer hereunder, or to be paid by Buyer for gas which is available and required to be but not taken, during the following respective periods shall be as follows:

(a) During the period from September 19, 1956 to the effective date of this amendment as authorized by the Federal Power Commission, fifteen cents per thousand cubic feet (15¢ per Mcf.).

(b) Thereafter until and including December 31, 1962, seventeen and one-half cents per thousand cubic feet (17½¢ per Mcf.).

[fol. 942] (c) During the period from January 1, 1963 to and including December 31, 1967, eighteen and one-half cents per thousand cubic feet (18½¢ per Mcf.).

(d) During the period from January 1, 1968 to and including December 31, 1972, nineteen and one-half cents per thousand cubic feet (19½¢ per Mcf.).

(e) During the period from January 1, 1973 to the termination date of this agreement, twenty and one-half cents per thousand cubic feet. (20½¢ per Mcf.)."

6. Exhibit "A" attached to said contract is amended to include the property in Sublette County, Wyoming outside of the Tip Top Unit Area and as shown on Schedule "A-1" attached hereto. Exhibit "B" thereto is amended to include the property shown [illegible]* on Exhibit "B-1" attached.

Buyer agrees that it will file and diligently prosecute an Application to the Federal Power Commission (the "FPC") for a Certificate of Public Convenience and Necessity authorizing the construction and operation of the additional facilities necessary to sell and deliver volumes of gas to El Paso Natural Gas Company at Twin Falls, Idaho (herein referred to as the "Twin Falls Project"). Seller agrees that it will file an Application with the FPC for a Certificate of Public Convenience and Necessity authorizing the sale and delivery to Buyer of the volumes of gas contemplated hereby and authorizing the collection and receipt of the rate herein provided contemplated to become effective as provided in Sub-paragraph (b) of Paragraph 7.1 of the Tip Top Contract as amended hereby.

Neither Buyer nor Seller shall be required to accept a certificate in form not satisfactory to it. If no certificate is issued to Seller pursuant to such application prior to January 1, 1959, or if the certificate issued to Seller is so conditioned or otherwise worded as to prevent the establishment of the 17½¢ per Mcf. price contemplated by Sub-paragraph (b) of Paragraph 7.1 of the Tip Top Contract as amended hereby, then Seller shall have the right, upon written notice to Buyer, to cancel this letter agreement, provided that such written notice is delivered to Buyer

* Handwritten interlineation and initials illegible.

within fifteen (15) days after Seller has refused to accept any certificate issued by the FPC or before January 30, 1959, if no certificate is issued to Seller prior to January 1, 1959.

[fol. 943] Except as hereby amended, the Tip Top Contract shall continue in full force and effect as originally written and heretofore amended.

In the event this letter agreement should be canceled, the Tip Top Contract shall continue in full force and effect as originally written and as heretofore amended.

Yours very truly,

PACIFIC NORTHWEST PIPELINE CORPORATION

By /s/ STUART S. SILLOWAY
President

[Stamp—Approved as to Form—RG—Legal Dept.]

AGREED TO AND ACCEPTED

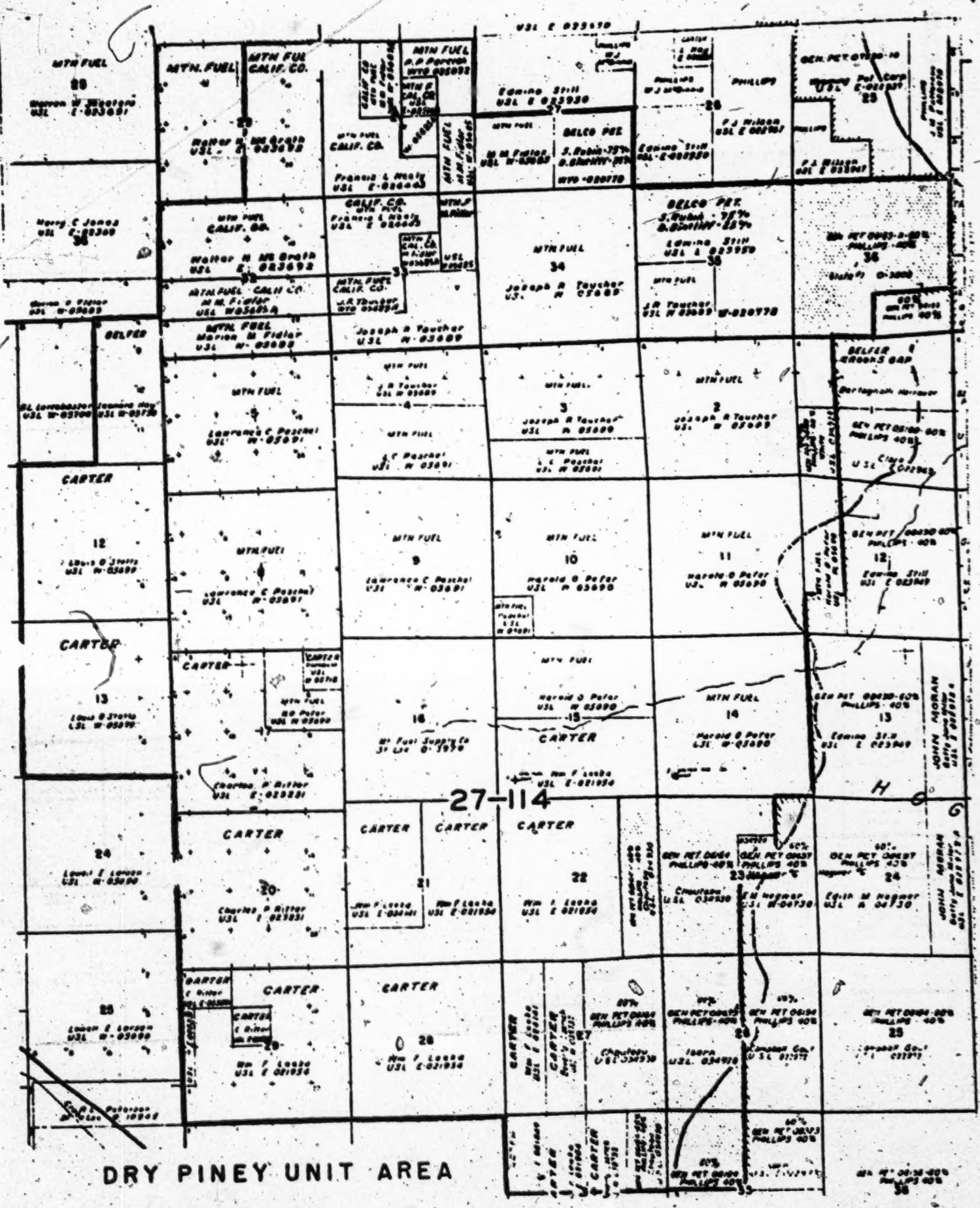
this 11th day of April, 1958

GENERAL PETROLEUM CORPORATION

By /s/ R. O. SWAYZE
Vice President

SCHEDULE A-1

Abstract No.	Lease	Description (Sublette County, Wyoming)
06155-A	Phillips - State #1 0-20476 560.00 Acres	T. 28 N., R. 114 W., 6th P.M. Sec. 36: N½, N½S½, S½SW¼
08697-A	Hegwer #6 (Govt.) Wyo. 034924 40.00 Acres	T. 27 N., R. 114 W., 6th P.M. Sec. 23: SW¼NE¼
06159	Phillips-White (Govt.) Wyo. 034927 80.00 Acres	T. 27 N., R. 114 W., 6th P.M. Sec. 1: W½SW¼
08673-A	Isern (Govt.) Wyo. 034928 320.00 Acres	T. 27 N., R. 114 W., 6th P.M. Sec. 26: W½
06164	Phillips-Chouteau (Govt.) Wyo. 034930 1080.00 Acres	T. 27 N., R. 114 W., 6th P.M. Sec. 22: E½E½ Sec. 23: W½, NW¼NE¼ Sec. 27: E½ Sec. 34: E½NE¼ Sec. 35: NW¼


27-114
CARTER
MTN FUEL
PHILLIPS
BELCO PET.
GEN. PET.
CALIF. CO.
MTN. FUEL
CALIF. CO.
BELFER
CARTER
MTN FUEL
CARTER
CARTER
CARTER

[fol. 946]

PACIFIC NORTHWEST PIPELINE CORPORATION

SALT LAKE CITY, UTAH

Reply to:
P. O. Box 1526
Salt Lake City 10, Utah

March 24, 1958

Phillips Petroleum Company
Bartlesville, Oklahoma

Re: Gas Purchase Contract
Hogsback Unit Area, Sublette
and Lincoln Counties, Wyoming

Gentlemen:

This letter refers to the agreement dated June 23, 1956, between Phillips Petroleum Company (hereinafter referred to as "Seller") and Pacific Northwest Pipeline Corporation (hereinafter referred to as "Buyer"), as heretofore amended (said agreement as so amended being hereinafter referred to as the "Hogsback Contract"), providing for the sale and purchase of certain volumes of natural gas produced in the Hogsback Unit Area, Sublette and Lincoln Counties, Wyoming. It is believed that Seller has or can develop for delivery from the Hogsback Area additional volumes of gas, and Buyer proposes to acquire additional gas reserves and construct the facilities necessary to sell and deliver volumes of gas to El Paso Natural Gas Company at Twin Falls, Idaho.

This letter is to evidence our understanding and agreement whereby the Hogsback Contract shall be amended in certain respects, as follows:

1. Paragraphs 2.1 and 2.2 of Article II are amended to read as follows:

"2.1 Subject to the other provisions hereof, this agreement shall be in force for an original term from its date until the expiration of a twenty (20) year period following the date specified in Paragraph 3.1 (b) hereof, and for an extended term of month to month thereafter until canceled by either party upon thirty days' written notice given to the other party."

[fol. 947] "2.2 The first delivery of gas hereunder, or Buyer's obligation to pay for gas not taken, shall commence on November 1, 1956."

2. Paragraph 3.1 of Article III is amended to read as follows:

"3.1 (a) Subject to the terms and provisions of this agreement, Buyer agrees to purchase from Seller and Seller agrees to sell and deliver to Buyer from the lands covered hereby a total of Seller's share of nine hundred billion cubic feet (900,000,000 Mcf.) of gas. During the first period of twelve calendar months next following the date of first delivery of gas hereunder, Buyer agrees to take and pay for, or to pay for if not taken, Seller's share of an amount of gas equal to an average of ten million cubic feet (10,000 Mcf.) per day, and during the second period of twelve calendar months Buyer agrees to take and pay for, or to pay for if not taken, Seller's share of an amount of gas equal to an average of fifteen million cubic feet (15,000 Mcf.) per day. Thereafter, until the date specified in Paragraph 3.1 (b) hereof, Buyer's take or pay obligation shall be Seller's share of a total of thirty million cubic feet (30,000 Mcf.) per day produced from the lands covered hereby. The gas sold and purchased hereunder shall be delivered at a maximum daily rate equal to one hundred thirty-five per cent (135%) of the daily minimum which Buyer is obligated to take or pay for as hereinabove provided.

(b) Commencing on the date that Buyer's additional facilities required to deliver gas to El Paso Natural Gas Company at Twin Falls, Idaho, have been completed and placed in operation or July 1, 1960, whichever may be the earlier, Buyer agrees to take and pay for, or to pay for if not taken, during each calendar year, Seller's share of a minimum average daily quantity of ninety million cubic feet (90,000 Mcf.). Seller shall be obligated to deliver and Buyer shall have the right to receive deliveries of gas at a maximum daily rate of one hundred ten million cubic feet (110,000 Mcf.) per day.

[fol. 948] (c) Buyer shall have the right to purchase and receive Seller's share of such additional gas as may be produced from or allocated to the lands described in Exhibit "A" annexed hereto, all on the measurement basis set forth herein. This agreement and all of Seller's and Buyer's obligations hereunder shall terminate when Seller's share of a total of nine hundred billion cubic feet (900,000,000 Mcf.) of gas has been delivered to Buyer hereunder, or the economically recoverable gas reserves available for delivery hereunder shall have been depleted, whichever shall first occur."

3. Paragraph 3.2 of Article III is amended to read as follows:

"3.2 (a) If, during any calendar year, Buyer shall fail to receive delivery of all gas paid for hereunder, subject to the availability of gas from the leases subject hereto in excess of the minimum quantities of gas which Buyer is then obligated to take or pay for, Buyer shall have the right during the succeeding two calendar years to receive the quantity of gas previously paid for but not taken, without additional cost. The amount of gas so made up in any succeeding calendar year shall constitute no part of the minimum quantities of

gas which Buyer is required to take or to pay for if not taken during the year in which makeup gas is received. For the purpose of recoupment by Buyer, the value of gas received as makeup gas shall be determined on the basis of prices effective under this agreement on the date such gas was paid for but not taken, except that in the event Seller is required to pay additional royalty or overriding royalty because of Buyer's delay in taking gas previously paid for, then Buyer shall reimburse Seller for such additional royalty and overriding royalty which Seller must pay. It is understood that this proviso shall not be applicable to royalties and overriding royalties aggregating in excess of 17½%.

(b) Notwithstanding any provision herein to the contrary, Buyer's obligation to take, or to pay for if not [fol. 949] taken, the volumes of gas as provided in Subparagraph (b) of the foregoing Paragraph 3.1 shall not commence until Seller shall have made available for delivery to Buyer all gas for which it has paid under Subparagraph (a) of Paragraph 3.1."

4. Paragraph 3.4 of Article III is amended to read as follows:

"3.4 If at any time after two (2) years from the date of first delivery of gas under Subparagraph (a) of Paragraph 3.1 hereof Seller is unable to deliver to Buyer for any period of three consecutive calendar months gas at the maximum daily rate at which Buyer is entitled to purchase, then Buyer may, for the period of Seller's said inability to deliver and for six months thereafter, reduce the daily contract quantity which Buyer is required to take or to pay for if not taken as specified in said Subparagraph (a) to two-thirds of such average daily quantity as Seller did deliver during each such three-month period. After the commencement of delivery of the volumes of gas provided for in

Subparagraph (b) of Paragraph 3.1 hereof, in the event Seller is incapable of delivering to Buyer the volumes of gas at the maximum daily rate which Buyer is entitled to purchase, then the minimum average daily quantity which Buyer shall be required to take or to pay for if not taken shall be reduced to seventy-five per cent (75%) of the quantity which Seller is capable of delivering during such month; provided, however, that for the first six months after the commencement of deliveries under said Subparagraph (b) Buyer shall take, or pay for if not taken, the entire quantities which Seller is capable of delivering but not in excess of the minimum daily average quantities which Buyer is obligated to take under said Subparagraph (b) of Paragraph 3.1."

5. Paragraph 7.1 of Article VII is amended to read as follows:

"7.1 Subject to the other provisions hereof, the prices to be paid by Buyer to Seller for gas delivered to Buyer hereunder, or to be paid by Buyer for gas [fol. 950] which is available and required to be but not taken, during the following respective periods shall be as follows:

(a) During the period from November 1, 1956 to the effective date of this amendment as authorized by the Federal Power Commission, fifteen cents per thousand cubic feet (15¢ per Mcf.).

(b) Thereafter until and including December 31, 1962, seventeen and one-half cents per thousand cubic feet (17½¢ per Mcf.).

(c) During the period from January 1, 1963 to and including December 31, 1967, eighteen and one-half cents per thousand cubic feet (18½¢ per Mcf.).

(d) During the period from January 1, 1968 to and including December 31, 1972, nineteen and one-half cents per thousand cubic feet (19½¢ per Mcf.).

(e) During the period from January 1, 1973 to the termination date of this agreement, twenty and one-half cents per thousand cubic feet (20½¢ per Mcf.)."

Buyer agrees that it will file and diligently prosecute an Application to the Federal Power Commission (the "FPC") for a Certificate of Public Convenience and Necessity authorizing the construction and operation of the additional facilities necessary to sell and deliver volumes of gas to El Paso Natural Gas Company at Twin Falls, Idaho (herein referred to as the "Twin Falls Project"). Seller agrees that it will file an Application with the FPC for a Certificate of Public Convenience and Necessity authorizing the sale and delivery to Buyer of the volumes of gas contemplated hereby and authorizing the collection and receipt of the rate herein provided contemplated to become effective as provided by Subparagraph (b) of Paragraph 7.1 of the Hogsback Contract as amended hereby.

[fol. 951] Neither Buyer nor Seller shall be required to accept a certificate in form not satisfactory to it. If no certificate is issued to Seller pursuant to such application prior to January 1, 1959, or if the certificate issued to Seller is so conditioned or otherwise worded as to prevent the establishment of the 17½¢ per Mcf. price contemplated by Subparagraph (b) of Paragraph 7.1 of the Hogsback Contract as amended hereby, then Seller shall have the right, upon written notice to Buyer, to cancel this letter agreement, provided that such written notice is delivered to Buyer within fifteen (15) days after Seller has refused to accept any certificate issued by the FPC or before January 30, 1959 if no certificate is issued to Seller prior to January 1, 1959.

Except as hereby amended, the Hogsback Contract shall continue in full force and effect as originally written and heretofore amended.

In the event this letter agreement should be canceled, the Hogsback Contract shall continue in full force and effect as originally written and as heretofore amended.

Yours very truly,

PACIFIC NORTHWEST PIPELINE CORPORATION

By /s/ STUART S. SILLOWAY
President

[Stamp—Approved as to Form—RG—Legal Dept.—CE]

AGREED TO AND ACCEPTED
This 14th day of April, 1958.

PHILLIPS PETROLEUM COMPANY

BY /s/ (Illegible)
Vice President

[Stamp—PBC—P. B. Cordry—Natr. g. Dept.—KH]

[fol. 952]

PACIFIC NORTHWEST PIPELINE CORPORATION

SALT LAKE CITY, UTAH

Reply to:
P. O. Box 1526
Salt Lake City 10, Utah

November 14, 1957

Belfer Natural Gas Company
42 Broadway
New York, New York

Gentlemen:

This letter refers to an agreement dated August 26, 1955, between Arthur B. Belfer, Rachel Belfer, Selma Ruben, Lawrence Ruben, Jack Saltz, Anita Saltz, and A. B. Belfer

as trustee for Robert Belfer, all said parties doing business as Belfer Natural Gas Company (hereinafter collectively referred to as "Seller"), and Pacific Northwest Pipeline Corporation, a Delaware corporation (hereinafter referred to as "Buyer").

Said agreement of August 26, 1955, as heretofore amended by letter agreements dated May 25, 1956, June 28, 1956, June 29, 1956, August 7, 1957, and August 19, 1957, shall hereinafter be referred to as "Contract".

This letter is to evidence our understanding and agreement relative to the Contract as follows:

(1) Buyer hereby agrees that, in accordance with the provisions of the Contract, as shown by the reserve study recently made by Max Krueger, copy of which has been submitted to Buyer, Seller has developed economically recoverable gas reserves in excess of 400 Billion cubic feet of gas. It is understood and agreed that Buyer does not waive the right to have further reserve determinations made in the manner provided for in the Contract.

(2) The interpretation of Article III, Section 3.1 of the Contract, as contained in the supplemental letter agreement of August 7, 1957, is hereby amended by substituting the figure 40 million in lieu of the figure 30 million as contained therein.

(3) Article III, Section 3.2 is deleted in its entirety and in lieu thereof the following is substituted:

"3.2 For all gas paid for but not taken by Buyer in any calendar year, Buyer shall have the right in the next succeeding two calendar years or until December 31, 1967, whichever shall occur last, to receive from Seller without additional payment such quantities of gas from all deliveries taken in excess of the contract minimum set forth herein. Notwithstanding the foregoing, in the event that, at the time the make-up gas is delivered to Buyer, the price of gas under this agreement exceeds the price existing when such

gas was paid for by Buyer but not taken, then Buyer shall pay to Seller such difference in price for the quantity of gas so recovered, provided, however, that [fol. 953] the foregoing part of this sentence shall not apply to quantities of gas up to 10,000,000 cubic feet per day not taken during the period July 1, 1957 through December 31, 1957, and provided further that for such quantities of gas Buyer shall reimburse Seller for any additional royalties and overrides, not aggregating in excess of 17½%, which Seller is required to pay because of Buyer's delay in taking such gas previously paid for but not taken. This make-up right shall not modify the applicable maximum Seller is then obligated to deliver or the applicable minimum Buyer is then obligated to take or pay for and shall constitute no part of the minimum quantities of gas which Buyer is required to take or pay for during the year the make-up gas is received."

(4) Buyer hereby consents to the Contract of even date herewith between Seller and El Paso Natural Gas Company, which provides for the sale by Seller of 750 billion cubic feet of gas to El Paso Natural Gas Company, a copy of which has been furnished to Buyer.

If this agreement is in accordance with your understanding, please so indicate in the space provided and return a fully executed copy to the undersigned.

Very truly yours,

PACIFIC NORTHWEST PIPELINE CORPORATION

By /s/ STUART S. SILLOWAY
President

Agreed to and accepted:

BELFER NATURAL GAS COMPANY
By /s/ A. B. BELFER
Partner
Managing Partner

[fol. 954]

PACIFIC NORTHWEST PIPELINE CORPORATION

SALT LAKE CITY, UTAH

Reply to:

P. O. Box 1526
Salt Lake City 10, Utah

August 7, 1957

Belfer Natural Gas Company
42 Broadway
New York 4, New York

Dear Sirs:

This is with reference to that certain Gas Sales Contract dated August 26, 1955 by and between Arthur B. Belfer, Rachel Belfer, Selma Ruben, Lawrence Ruben, Jack Saltz, Anita Saltz and A. B. Belfer as Trustee for Robert Belfer, all general partners doing business as Belfer Natural Gas Company ("Seller"), and Pacific Northwest Pipeline Corporation ("Buyer"), as amended by a letter agreement dated June 29, 1956 and a letter of interpretation (hereinafter referred to as the "Letter of Interpretation") dated June 29, 1956 (said Gas Sales Contract, as so amended, being hereinafter referred to as the "Contract").

This letter is to evidence our understanding and agreement whereby the Letter of Interpretation and the Contract shall be amended in certain respects, as follows:

1. The interpretation of Article III, Section 3.1 of the Contract as set forth in the Letter of Interpretation is amended to read as follows:

"We interpret Article III Section 3.1 of said agreement of August 26, 1955, as amended by the letter agreement of June 28, 1956, as requiring Buyer to

take or pay for fifteen million (15,000,000) cubic feet of gas per day from and after the date of commencement of any deliveries to the Buyer from this area for resale. From and after the date when the Buyer's additional facilities are completed and placed in operation, or by July 1, 1957, whichever event may be the sooner, the Buyer is required to take or pay for one million (1,000,000) cubic feet of gas per day for each ten billion (10,000,000,000) cubic feet of gas of originally economically recoverable gas reserves, as disclosed by Gas Reserve Study made by Max L. Krueger, of Laramie, Wyoming, or by any gas reserve engineer satisfactory to both parties if Max L. Krueger is not available or is unwilling to make such a gas reserve study. Notwithstanding the foregoing, Buyer shall not be required to take or pay for more

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[fol. 955] than thirty million (30,000,000)* cubic feet of gas per day from July 1, 1957 to December 31, 1957, and on January 1, 1958 the provisions of this section will become effective with regard to the minimum take or pay requirements, provided for herein."

2. Article III, Section 3.2 of the Contract is amended to read as follows:

"3.2 For any gas paid for but not taken by Buyer prior to October 1, 1958, Buyer shall have the right, subject to the availability of gas from Seller's leases in excess of the minimum quantities of gas which Buyer is then obligated to take or pay for, until December 31, 1962 to receive the quantity of gas previously paid for but not taken without additional cost. If, during any calendar year subsequent to September 30, 1958, Buyer shall fail to receive delivery of the contract quantities of gas which Seller is required hereunder to sell and deliver during said year, subject to the availability of gas from Seller's leases in excess of the minimum quantities of gas which Buyer

* Handwritten interlineation—as per 11-14- [year illegible] agree.

is then obligated to take or pay for, Buyer shall have the right during the succeeding two (2) calendar years to receive the quantity of gas previously paid for but not taken without additional cost. Notwithstanding the foregoing, in the event the price for gas delivered during the make up period exceeds the price previously paid by the Buyer for such gas when same was paid for but not taken, the Buyer shall pay to the Seller such differences in price for the quantity of gas so recovered. The amount of gas so made up in any succeeding calendar year shall constitute no part of the minimum quantities of gas which Buyer is required to take or pay for during the year the make up gas is received.

3. Article III, Section 3.7 of the Contract is amended to read as follows:

"3.7 Buyer will proceed diligently to obtain all requisite governmental authorizations to loop its Big Piney lateral and after receipt of such authorization proceed diligently with the construction of said loop so as to enable Buyer to take the maximum additional quantities of gas required to be delivered hereunder."

4. Article V, Section 5.2 of the Contract is amended to read as follows:

"5.2 Buyer shall lay and construct requisite gathering lines to the points of delivery; but Buyer shall [fol. 956] not be obligated either to originally construct gathering facilities or to maintain and operate gathering facilities theretofore constructed by it to any well having an open flow potential test of less than one million (1,000,000) cubic feet of gas per day. In the event that Seller shall be of the opinion that a well, which has not been connected to Buyer's gathering line because of its failure to meet the test herein provided, will produce gas at a rate of not

less than two hundred fifty thousand (250,000) cubic feet per day into such gathering lines, Seller may request Buyer to connect such well. Within fifteen (15) days after receipt of such notice Buyer shall notify Seller of the estimated cost of connecting such well, and if Seller shall advance to Buyer the estimated cost of such connection, Buyer shall cause such well to be connected to its gathering lines as expediently as possible. After connection of any such well Seller will reimburse Buyer for the cost of connecting such well, being allowed a credit equal to the advance theretofore made by Seller. If the production rate of such well shall be two hundred fifty thousand (250,000) cubic feet of gas per day or more, averaged over a thirty (30) day period after the first five (5) months of continuous production, Buyer shall reimburse Seller the amount advanced for such connection. If said determined daily rate of production shall be less than two hundred fifty thousand (250,000) cubic feet of gas per day, then Buyer shall not be obligated to reimburse Seller for the cost of such connection. If any well connected to Buyer's gathering line in accordance with the first sentence of this Section 5.2 shall produce at an average rate, averaged over a thirty (30) day period after the first five (5) months of continuous production, of less than two hundred fifty thousand (250,000) cubic feet of gas per day, then Seller shall reimburse Buyer for the cost of connecting such well. Notwithstanding anything contained herein to the contrary, Seller will not be required, under any circumstances, to pay for the connection of any well connected prior to August 1, 1957."

5. Article VI of the Contract is amended by adding thereto a new Section 6.3 reading as follows:

"6.3 Seller will, however, endeavor to deliver to Buyer gas from its high pressure wells at pressures suffi-

cient to enter Buyer's transmission line without compression, estimated to be approximately eight hundred sixty (860) pounds per square inch gauge. For all gas delivered by Seller at such higher pressure on or after January 1, 1958, Buyer will pay Seller an additional price of not less than one cent (1¢) per thousand cubic feet. This additional compensation shall be in addition to the additional price increase pro- [fol. 957] vided for in Section 6.2 above. This increased compensation is to be reviewed thirty (30) days prior to January 1, 1958, and annually thereafter, and adjusted upward as conditions warrant."

6. Article XI of the Contract is amended as follows:

(a) The second sentence of Section 11.1 is amended to read as follows:

"Buyer shall cause each meter to be read at intervals of not more than eight (8) days, provided, however, that, upon written request by Seller, Buyer will read such meter at intervals of not more than three (3) days."

(b) The words "Report No. 2, dated May 6, 1935" appearing in Subsection (a) are deleted and the words "Report No. 3, dated April, 1955" are inserted in place thereof.

(c) The words "California Natural Gasoline Association Bulletins Nos. TS-402 and TS-461, if mutually agreeable" are deleted and the words "American Gas Association Report No. 3, dated April, 1955" are inserted in place thereof.

It is agreed between the parties hereto that the sixth (6th) paragraph of the above-mentioned letter agreement dated June 28, 1956 is deleted in its entirety.

It is further understood and agreed that if by September 30, 1958 Buyer shall not have received the requisite au-

thorizations for and has not commenced the construction of the looping of its Big Piney lateral so as to take the maximum quantities of gas to be delivered under the Contract, as amended hereby, Seller shall have the right, to be exercised within thirty (30) days after that date by a notice in writing delivered to Buyer, to cancel in full the above-mentioned letter agreement dated June 28, 1956, as amended by the Letter of Interpretation, and the amendments pertaining thereto which are hereinabove set forth. In the event Seller does so cancel, Buyer shall have the right to receive without cost all of the gas paid for but not taken prior to such cancellation in accordance with and under the terms of the Contract.

Except as modified herein, the Contract shall continue in full force and effect as heretofore amended.

[fol. 958] If the foregoing properly expresses your understanding of our agreement, please indicate your acceptance at the foot of this letter.

Very truly yours,

PACIFIC NORTHWEST PIPELINE CORPORATION

By /s/ STUART S. SILLOWAY
President

AGREED TO AND ACCEPTED
this 19 day of August, 1957

BELFER NATURAL GAS COMPANY

By /s/ A. B. BELFER
Managing Partner

[fol. 959]

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S EXHIBIT 12

Breakdown of Estimated Gas Reserves of
Pacific Northwest Pipeline Corporation
as of December 31, 1959
(billions of cubic feet at 14.73 psi and 60° F)

	Estimated Reserves at 12/31/59—bcf
San Juan Basin Area	
Gas Purchase Contracts	1,102.9
Producing Gas Lands	2,027.7
Nonproducing Gas Lands	1,626.1
Total San Juan Basin Area	4,756.7
North of Ignacio, Colorado	
Gas Purchase Contracts	
Westcoast Trans. Co.—Sumas	2,182.3
Westcoast Trans. Co.—Kingsgate	731.2
Other	2,826.5
Total North of Ignacio, Colorado	5,740.0
Total System Reserves	10,496.7

Source: Annual Report of Pacific Northwest Pipeline Corporation to the Federal Power Commission for the year ended December 31, 1959

[fol. 960]

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S EXHIBIT 13

Breakdown of Estimated Gas Reserves of
El Paso Natural Gas Company
as of December 31, 1959
(billions of cubic feet at 14.73 psi and 60° F)

	Estimated Reserves at 12/31/59—bcf
San Juan Basin Area	
Gas Purchase Contracts	5,259.9
Producing Gas Lands	7,248.0
Nonproducing Gas Lands	513.9
Total San Juan Basin Area	13,021.8
Rocky Mountain Area	
Producing Gas Lands	0.9
Nonproducing Gas Lands	364.7
Total Rocky Mountain Area	365.6
Other	
Gas Purchase Contracts	15,813.1
Producing Gas Lands	1,015.7
Nonproducing Gas Lands	322.6
Total Other	17,151.4
Total System Reserves	30,538.8

Source: Annual Report of El Paso Natural Gas Company to the Federal Power Commission for the year ended December 31, 1959

[fol. 961]

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S EXHIBIT 14

Estimated Gas Reserves in
San Juan Basin Area
El Paso and Pacific Northwest—1959
Merged Company 1960-1963
(billions of cubic feet at 14.73 psi and 60° F)

December 31	*Estimated Reserves—bcf*
1959	17,778.5
1960	13,779.9
1961	13,477.8
1962	13,093.2
1963	14,899.1

Source: Annual Reports to the Federal Power Commission of Pacific Northwest Pipeline Corp. for the year ended December 31, 1959 and of El Paso Natural Gas Co. for the years ended December 31, 1959-1963

[fol. 962]

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S EXHIBIT 15

Estimated Gas Reserves in San Juan Basin Area—1959-1963 (billions of cubic feet at 14.73 psi and 60° F)

	Estimated Reserves—bcf	
December 31	*New Company*	*El Paso*
1959	4,756.7	12,521.9
1960	3,311.6	10,034.1
1961	3,228.3	9,839.5
1962	3,025.0	9,685.4
1963	2,518.1	12,285.0

Source: Data supplied by El Paso Natural Gas Co. "Quantitative Reconciliation of Gas Reserves of New Company, San Juan Basin" and "Quantitative Reconciliation of Gas Reserves of El Paso Natural Gas Company, San Juan Basin"

[fol. 963]

Estimated Gas Reserves in
San Juan Basin Area 1959-1963

(billions of cubic feet at 14.73 psi and 60° F)

	Estimated Reserves—bcf	
December 31	*New Company*	*El Paso*
1959	4,756.7	12,521.9
1960	3,311.6	10,034.1
1961	3,228.3	9,839.5
1962	3,025.0	9,685.4
1963	2,518.1	12,285.0

Source: Data supplied by El Paso Natural Gas Co. "Quantitative Reconciliation of Gas Reserves of New Company, San Juan Basin" and "Quantitative Reconciliation of Gas Reserves of El Paso Natural Gas Company, San Juan Basin"

[fol. 964]

Estimated Gas Reserves in
San Juan Basin Area 1959-1963

(billions of cubic feet at 14.73 psi and 60° F)

	Estimated Reserves—bcf	
December 31	*New Company*	*El Paso*
1959	4,756.7	12,521.9
1960	3,311.6	10,034.1
1961	3,228.3	9,839.5
1962	3,025.0	9,685.4
1963	2,518.1	12,285.0

Source: Data supplied by El Paso Natural Gas Co. "Quantitative Reconciliation of Gas Reserves of New Company, San Juan Basin" and "Quantitative Reconciliation of Gas Reserves of El Paso Natural Gas Company, San Juan Basin"

[fol. 965]

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S EXHIBIT 16

Percentage Division of Estimated Gas Reserves in San Juan Basin Area—1959-1963

	Percent of Estimated Reserves	
December 31	*New Company*	*El Paso*
1959	27.53%	72.47%
1960	24.81%	75.19%
1961	24.70%	75.30%
1962	23.80%	76.20%
1963	17.01%	82.99%

Source: Derived from data supplied by El Paso Natural Gas Co. "Quantitative Reconciliation of Gas Reserves of New Company, San Juan Basin" and "Quantitative Reconciliation of Gas Reserves of El Paso Natural Gas Company, San Juan Basin".

[fol. 966]

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S EXHIBIT 17

Estimated Gas Reserves—
Excluding San Juan Basin Area
Pacific Northwest 1959
El Paso Northwest Division 1960-1963
(billions of cubic feet at 14.73 psi and 60° F)

December 31	*Estimated Reserves—bcf*
1959	6,105.6*
1960	6,205.7**
1961	6,097.1
1962	5,849.4
1963	5,364.0

* Includes 731.2 bcf for purchase from Westcoast Transmission Co. at Kingsgate, B.C.

** Includes 1,020.0 bcf for purchase from Westcoast Transmission Co. at Kingsgate, B.C.

Source: Annual Reports to the Federal Power Commission of Pacific Northwest Pipeline Corp. for the year ended December 31, 1959 and of El Paso Natural Gas Co. for the years ended December 31, 1959-1963.

[fol. 967]

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S EXHIBIT 19

SUMMARY OF PACIFIC NORTHWEST RESERVE STUDIES

Mesa Verde Reservoir, San Juan Basin
New Mexico and Colorado
(Gas volumes in million cubic feet)

	Total Pacific Northwest
Lewis Engineering	
Original Reserves	
Developed acreage	1,056,772
Undeveloped acreage	217,251
Total	1,274,023
Production to 1-1-64	268,300
Remaining reserves	1,005,723
El Paso Natural Gas Co.	
Original Reserves	
Developed acreage	1,476,856
Undeveloped acreage	636,892
Total	2,113,748
Production to 1-1-64	268,300
Remaining reserves	1,845,448

[fol. 968]

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S EXHIBIT 20

COLORADO INTERSTATE GAS COMPANY
and
NORTHWEST DIVISION, EL PASO NATURAL GAS COMPANY
SUMMARY ANALYSIS

September 1964

[fol. 969]

COLORADO INTERSTATE GAS COMPANY
and
NORTHWEST DIVISION,
EL PASO NATURAL GAS COMPANY

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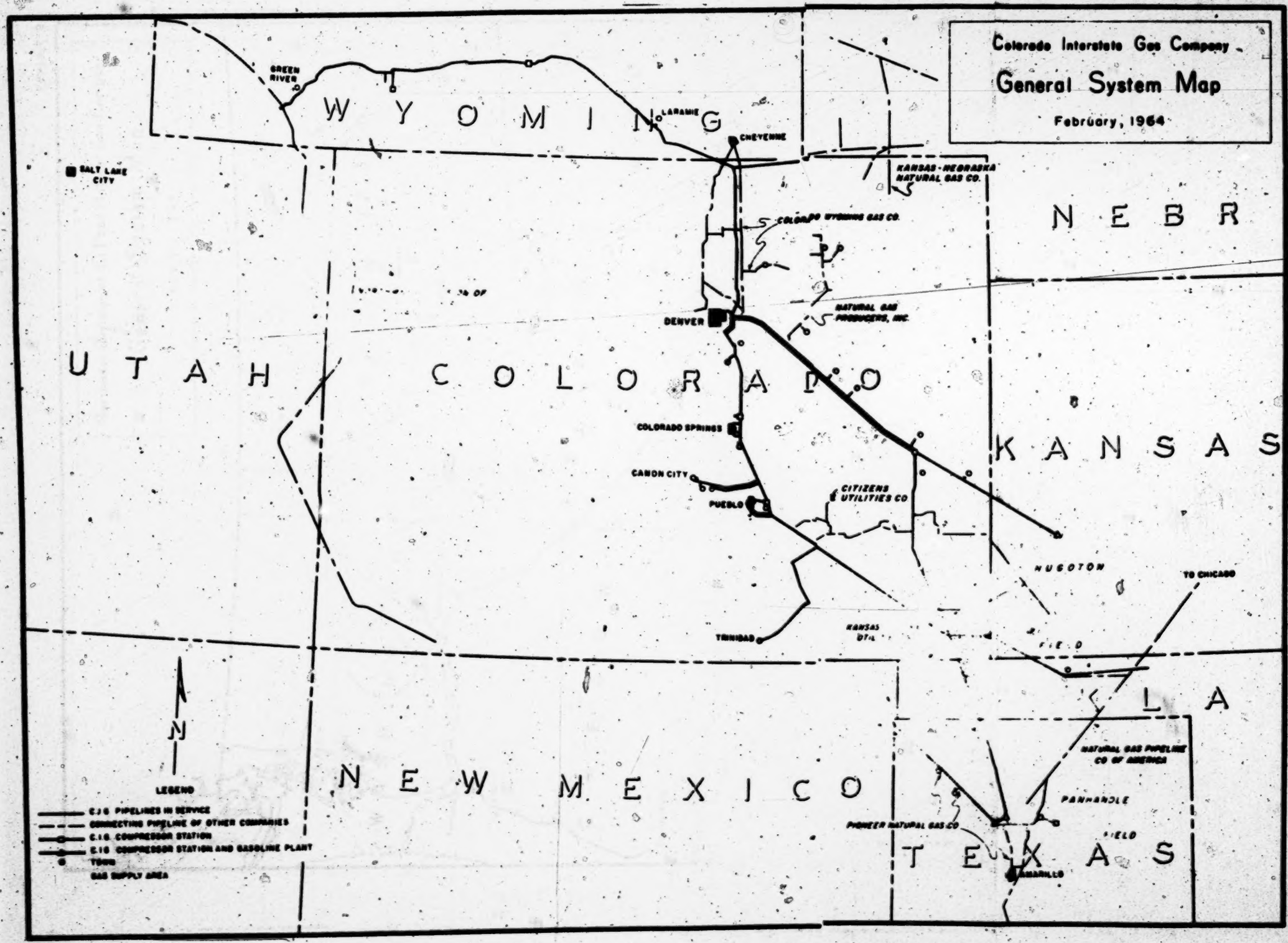
[fol. 970]

COLORADO INTERSTATE GAS COMPANY
and
NORTHWEST DIVISION,
EL PASO NATURAL GAS COMPANY

SYSTEM MAPS

EXHIBIT 1

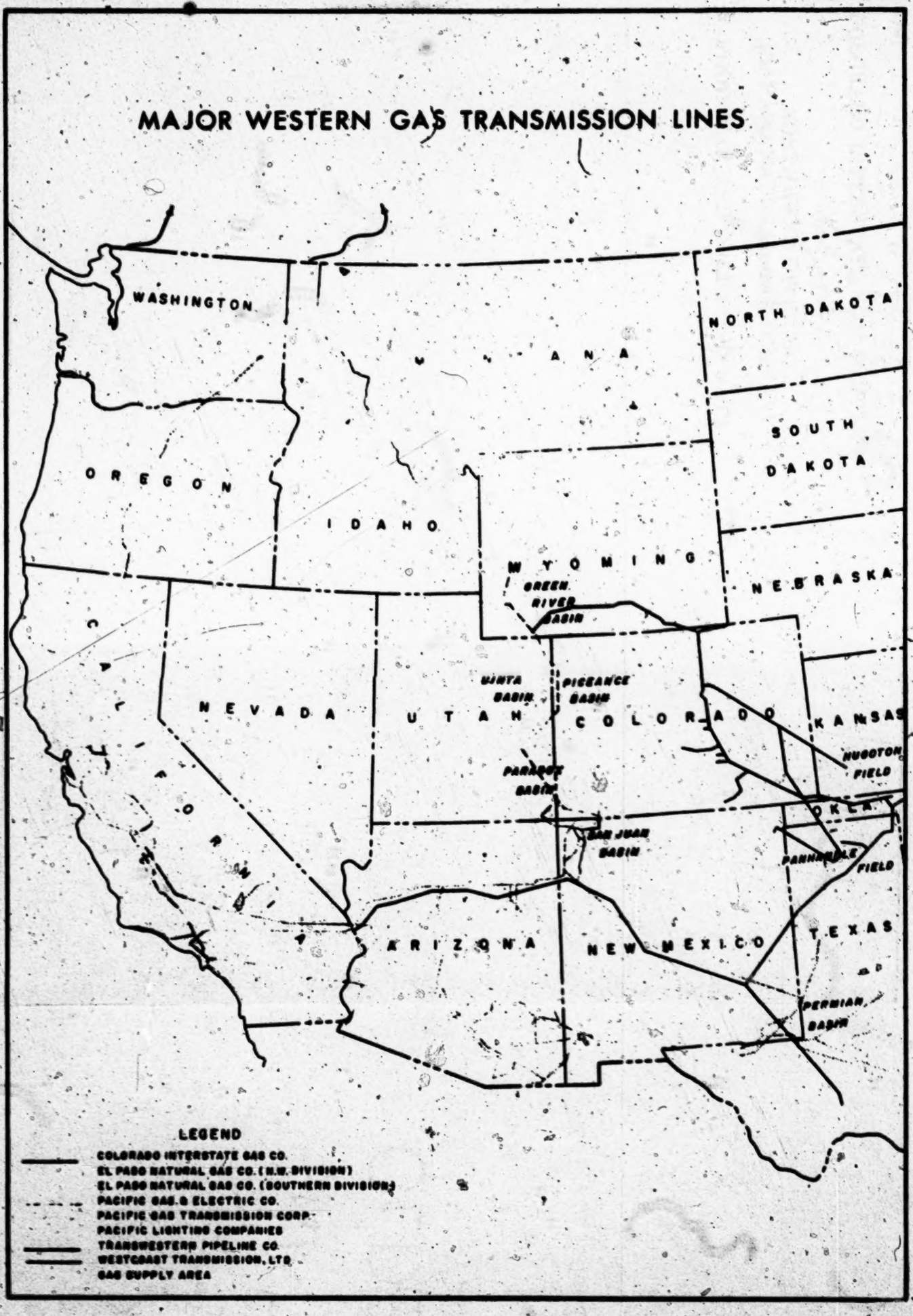

Colorado Interstate Gas Company
General System Map
February, 1964
WYOMING
NEBR
UTAH
COLORADO
KANSAS
NEW MEXICO
TEXAS
OKLA
GREEN RIVER
LARAMIE
CHEYENNE
SALT LAKE CITY
KANSAS-NEBRASKA NATURAL GAS CO.
DENVER
NATURAL GAS PRODUCERS, INC.
COLORADO SPRINGS
CANON CITY
PUEBLO
CITIZENS UTILITIES CO
TRINIDAD
HUGOTON
TO CHICAGO
NATURAL GAS PIPELINE CO OF AMERICA
PANHANDLE FIELD
PIONEER NATURAL GAS CO
AMARILLO
N
LEGEND
C.I.G. PIPELINES IN SERVICE
CONNECTING PIPELINE OF OTHER COMPANIES
C.I.G. COMPRESSOR STATION
C.I.G. COMPRESSOR STATION AND GASOLINE PLANT
TOWN
GAS SUPPLY AREA

Northwest Division of El Paso Natural Gas Company
General System Map
August, 1964
WASHINGTON
MONTANA
OREGON
IDAHO
WYO.
NEVADA
UTAH
COLO.
NEW MEX.
ARIZONA
Seattle
Tacoma
Olympia
Spokane
Portland
Salem
Eugene
Grants Pass
Helena
Butte
Billings
Boise
Pocatello
Worland
Rock Springs
GREEN RIVER BASIN
COLORADO INTERSTATE GAS CO.
Salt Lake City
UINTA BASIN
PICEANCE BASIN
Grand Junction
PARADOX BASIN
SAN JUAN BASIN
Carson City
Sacramento
San Francisco
Las Vegas
Flagstaff
Los Angeles
LEGEND
N.W. DIVISION OF EL PASO NATURAL GAS CO.
CONNECTING PIPELINES OF OTHER COMPANIES
COMPRESSOR STATION
TOWN
GAS SUPPLY AREA

[fol. 972]

EXHIBIT 3

MAJOR WESTERN GAS TRANSMISSION LINES



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[fol. 974]

COLORADO INTERSTATE GAS COMPANY

and

NORTHWEST DIVISION, EL PASO NATURAL GAS COMPANY

FINANCIAL AND OPERATING DATA

COLORADO INTERSTATE GAS COMPANY
and
NORTHWEST DIVISION,
EL PASO NATURAL GAS COMPANY

FINANCIAL AND OPERATING SUMMARY

Particulars	Colorado Interstate (1963)	Northwest Division (Estimated)	Pro Forma Combined
FINANCIAL (Expressed in thousands of dollars):			
Gas plant -			
Gross plant	$ 180,117	$ 318,587	$ 498,704
Less reserves	(57,040)	(67,429)	(124,469)
Net plant	$ 123,077	$ 251,158	$ 374,235
Gross revenues -			
Gas sales	$ 62,175	$ 83,090 (2)	$ 135,385 (5)
Other	1,877	6,750	8,627
Total	$ 64,052	$ 89,840 (2)	144,012 (5)
Gross income	$ 9,617	$ 17,550	27,167
Net income	$ 6,265	$ 7,100	13,365
OPERATIONS:			
Gas reserves (MMCF at 14.65 p.s.i.a.)	6,679,314 (1)	7,400,000	13,594,715 (5)
Annual gas sales (MMCF at 14.65 p.s.i.a.)	293,649	243,970 (3)	500,818 (5)
Maximum day sendout (MCF at 14.65 p.s.i.a.)	1,201,655	1,065,779 (4)	2,209,287 (5)
Miles of pipeline inservice -			
Transmission	1,747	2,717	4,464
Field	1,839	375	2,214
Total	3,586	3,092	6,678
Compressor equipment in service -			
Number of stations	40	18	58
Installed horsepower	100,996	96,100	197,096
Gasoline plants in service -			
Number of plants	4	2	6
Daily capacity (gallons)	204,000	187,000	391,000

[fol. 975-976]

(1) Includes reserves of 484,599 MMCF at 14.65 p.s.i.a. under contract from the Northwest Division.
(2) Includes revenues of $9,879,600 from sale to Colorado Interstate.
(3) Includes sale to Colorado Interstate of 36,801 MMCF at 14.65 p.s.i.a.
(4) Includes peak day deliveries to Colorado Interstate of 118,147 MCF at 14.65 p.s.i.a.
(5) Excludes intercompany transactions.

(See opposite) ☞

[fol. 977]

[fol. 977]

Exhibit 5

COLORADO INTERSTATE GAS COMPANY
and
NORTHWEST DIVISION,
EL PASO NATURAL GAS COMPANY

NATIONAL INDUSTRY POSITION BASED ON GROSS UTILITY PLANT
YEAR 1962

Rank	Company	Amount (Thousands)
1	Tennessee Gas Transmission Company	$1,503,396
2	El Paso Natural Gas Company, excluding Northwest Division	1,191,102
3	Texas Eastern Transmission Corporation	898,582
4	Transcontinental Gas Pipe Line Corporation	804,910
5	Northern Natural Gas Company	676,301
6	Natural Gas Pipeline Company of America	634,300
7	United Gas Pipe Line Company	576,328
	COLORADO INTERSTATE and NORTHWEST DIVISION	496,205
8	Panhandle Eastern Pipe Line Company	397,675
9	The Ohio Fuel Gas Company	373,846
10	Lone Star Gas Company	363,993
11	Texas Gas Transmission Corporation	335,328
12	Southern Natural Gas Company	329,609
13	NORTHWEST DIVISION	318,587
14	Michigan Wisconsin Pipe Line Company	271,477
15	Trunkline Gas Company	256,314
16	United Fuel Gas Company	252,004
17	Columbia Gulf Transmission Company	246,563
18	Arkansas Louisiana Gas Company	240,188
19	Cities Service Gas Company	220,849
20	Washington Gas Light Company	205,662
21	Transwestern Pipeline Company	205,451
22	Hope Natural Gas Company	200,453
23	Florida Gas Transmission Company	195,060
24	COLORADO INTERSTATE	177,616
25	The Manufacturers Light and Heat Company	176,919
26	New York State Natural Gas Corporation	157,508

NOTE: Gross utility plant from Statistics of Natural Gas Companies 1962, compiled by the Federal Power Commission. The Northwest Division of El Paso Natural Gas Company has been separately estimated.

Exhibit 6

COLORADO INTERSTATE GAS COMPANY
and
NORTHWEST DIVISION,
EL PASO NATURAL GAS COMPANY

NATIONAL INDUSTRY POSITION BASED ON GAS SALES VOLUMES
YEAR 1962

Rank	Company	MMCF at 14.65 p.s.i.a.
1	United Gas Pipe Line Company	1,295,225
2	El Paso Natural Gas Company, excluding Northwest Division	1,044,625
3	Tennessee Gas Transmission Company	877,282
4	Texas Eastern Transmission Corporation	721,922
5	Northern Natural Gas Company	558,506
6	United Fuel Gas Company	522,203
7	Transcontinental Gas Pipe Line Corporation	499,317
8	Natural Gas Pipeline Company of America	490,831
	COLORADO INTERSTATE and NORTHWEST DIVISION	470,416
9	Panhandle Eastern Pipe Line Company	455,676
10	Texas Gas Transmission Corporation	402,815
11	Southern Natural Gas Company	395,664
12	Cities Service Gas Company	362,856
13	The Ohio Fuel Gas Company	341,480
14	COLORADO INTERSTATE GAS COMPANY	306,408
15	Lone Star Gas Company	284,110
16	Arkansas Louisiana Gas Company	273,431
17	Michigan Wisconsin Pipe Line Company	273,036
18	Trunkline Gas Company	254,284
19	Columbia Gulf Transmission Company	243,403
20	The Manufacturers Light and [illegible] Company	215,248
21	NORTHWEST DIVISION	202,900
22	New York State Nat[illegible]	198,898
23	Hope Natural Gas Co[illegible]	194,123
24	Transwestern Pipeli[illegible]	115,368
25	Florida Gas Transmi[illegible]	67,448
26	Washington Gas Li[illegible]	55,918

NOTE: Gas sales from Statistics of Natural Gas Companies 1962, compiled by the Federal Power Commission. Gas sales for the Northwest Division of El Paso Natural Gas Company for the year 1962 from FPC Docket No. CP64-76.

Exhibit 7

COLORADO INTERSTATE GAS COMPANY
and
NORTHWEST DIVISION,
EL PASO NATURAL GAS COMPANY

NATIONAL INDUSTRY POSITION BASED ON GROSS REVENUES
YEAR 1962

Rank	Company	Amount (Thousands)
1	El Paso Natural Gas Company, excluding Northwest Division	$368,575
2	Tennessee Gas Transmission Company	358,277
3	United Gas Pipe Line Company	313,031
4	Texas Eastern Transmission Corporation	284,346
5	The Ohio Fuel Gas Company	225,838
6	United Fuel Gas Company	224,384
7	Northern Natural Gas Company	221,456
8	Transcontinental Gas Pipe Line Corporation	213,827
9	Natural Gas Pipeline Company of America	162,488
10	Panhandle Eastern Pipe Line Company	155,21[illegible]
11	Southern Natural Gas Company	137,595
	COLORADO INTERSTATE and NORTHWEST DIVISION	131,87[illegible]
12	Texas Gas Transmission Corporation	131,567
13	Lone Star Gas Company	122,539
14	Michigan Wisconsin Pipe Line Company	116,507
15	The Manufacturers Light and Heat Company	113,838
16	New York State Natural Gas Corporation	106,128
17	Hope Natural Gas Company	102,589
18	Trunkline Gas Company	95,701
19	Arkansas Louisiana Gas Company	93,581
20	Cities Service Gas Company	92,498
21	Washington Gas Light Company	81,140
22	NORTHWEST DIVISION	75,345
23	COLORADO INTERSTATE	66,761
24	Transwestern Pipeline	47,365
25	Columbia Gulf Transmission	36,725
26	Florida Gas Transmission	35,774

NOTE: Gross revenues from production of Natural Gas Companies 1962, compiled by the Federal Power Commission. The Northwest Division of El Paso Natural Gas Company has been separately estimated.

Exhibit 8

COLORADO INTERSTATE GAS COMPANY
and
NORTHWEST DIVISION,
EL PASO NATURAL GAS COMPANY

WESTERN INDUSTRY POSITION BASED ON GROSS UTILITY PLANT
YEAR 1962

Rank	Company	Amount (Thousands)
1	El Paso Natural Gas Company, excluding Northwest Division	$1,191,102
2	Pacific Lighting Corporation	908,437
3	Pacific Gas and Electric Company	746,448
	COLORADO INTERSTATE and NORTHWEST DIVISION	496,205
4	NORTHWEST DIVISION	318,587
5	Transwestern Pipeline Company	205,451
6	COLORADO INTERSTATE GAS COMPANY	177,618
7	Pacific Gas Transmission Company (Note 2)	117,019

NOTES: (1) Gross utility plant from Statistics of Natural Gas Companies 1962, compiled by the Federal Power Commission and from Moody's Public Utility Manual. The Northwest Division of El Paso Natural Gas Company has been separately estimated.

(2) Pacific Gas and Electric Company owns 49.4 per cent of the outstanding common stock of Pacific Gas Transmission Company.

Exhibit 9

COLORADO INTERSTATE GAS COMPANY
and
NORTHWEST DIVISION,
EL PASO NATURAL GAS COMPANY

WESTERN INDUSTRY POSITION BASED ON GAS SALES VOLUMES
YEAR 1962

Rank	Company	MMCF at 14.65 p.s.i.a.
1	El Paso Natural Gas Company, excluding Northwest Division	1,044,625
2	Pacific Lighting Corporation	651,075
	COLORADO INTERSTATE and NORTHWEST DIVISION	470,416
3	Pacific Gas and Electric Company	415,590
4	COLORADO INTERSTATE GAS COMPANY	306,408
5	NORTHWEST DIVISION	202,300
6	Pacific Gas Transmission Company	125,772
7	Transwestern Pipeline Company	115,368

NOTE: Gas sales from Statistics of Natural Gas Companies 1962, compiled by the Federal Power Commission and from Moody's Public Utility Manual. Gas sales for the Northwest Division of El Paso Natural Gas Company for the year 1962 from FPC Docket No. CP64-76.

Exhibit 10

COLORADO INTERSTATE GAS COMPANY
and
NORTHWEST DIVISION,
EL PASO NATURAL GAS COMPANY

WESTERN INDUSTRY POSITION BASED ON GROSS REVENUES
YEAR 1962

Rank	Company	Amount (Thousands)
1	Pacific Lighting Corporation	$440,633
2	El Paso Natural Gas Company, excluding Northwest Division	368,575
3	Pacific Gas and Electric Company	263,608
	COLORADO INTERSTATE and NORTHWEST DIVISION	131,875
4	NORTHWEST DIVISION	75,345
5	COLORADO INTERSTATE GAS COMPANY	66,761
6	Transwestern Pipeline Company	47,365
7	Pacific Gas Transmission Company	44,392

NOTE: Gross revenues from Statistics of Natural Gas Companies 1962, compiled by the Federal Power Commission and from Moody's Public Utility Manual. The Northwest Division of El Paso Natural Gas Company has been separately estimated.

[fol. 983]

COLORADO INTERSTATE GAS COMPANY

and

NORTHWEST DIVISION, EL PASO NATURAL GAS COMPANY

HISTORICAL RELATIONSHIP

[fol. 984]

Exhibit 11
Page 1 of 4

COLORADO INTERSTATE GAS COMPANY

and

NORTHWEST DIVISION, EL PASO NATURAL GAS COMPANY

HISTORICAL RELATIONSHIP

ORGANIZATION

Pacific Northwest Pipeline Corporation ("Pacific Northwest") was incorporated in Delaware on June 2, 1949. On June 28, 1950, it filed an application with the Federal Power Commission ("Commission") to construct and operate the pipeline system which today comprises essentially the El Paso Natural Gas Company Northwest Division ("Northwest Division"), running from the San Juan Basin supply area in New Mexico and Colorado to Pacific Northwest area markets. On June 18, 1954, the Commission approved the project. Construction was begun on the line in 1955 and initial service from the line began late in 1956.

While the project was still in its formative stages, Colorado Interstate Gas Company ("Colorado Interstate") contracted on January 2, 1953, to purchase an average daily volume of 100 million cubic feet of gas from Pacific Northwest. Colorado Interstate filed a companion application with the Commission for authority to construct facilities to take delivery of this gas at a point on Pacific Northwest's pipeline system in southwestern Wyoming near Green River and to transport it approximately 375 miles to its principal market area at Denver, Colorado. The Colorado Interstate application was consolidated for hearing with that of Pacific Northwest and granted in the Commission opinion granting the Pacific Northwest application. Colorado Interstate's connecting facilities were placed in service early in 1957.

[fol. 985]

Exhibit 11
Page 2 of 4

REGULAR CONTRACTUAL RELATIONSHIP

Colorado Interstate's and first Pacific Northwest's and now the Northwest Division's regular contractual relationship has centered around their Green River purchase and sale of an average of 100 million cubic feet of gas daily, under a contract running to December 14, 1976, and on a year to year basis thereafter.

This purchase and sale has afforded Pacific Northwest (now the Northwest Division) a substantial market and has likewise provided Colorado Interstate a substantial supply to help meet both the peak and annual requirements of its markets.

From time to time the basic agreement has been supplemented by other agreements, a number of them tripartite ones with El Paso Natural Gas Company ("El Paso") prior to the merger into it of Pacific Northwest as the third party. These have provided for deferrals in gas takes by Colorado Interstate at Green River, delivery of additional peaking volumes at that point and similar interim gas supply arrangements to meet specific operating situations.

SPECIAL PROJECTS

On two occasions, Colorado Interstate and first Pacific Northwest and then the Northwest Division have collaborated on major projects designed to serve other market areas. The first of these was known as the "Beatrice Project" to provide additional gas supplies for the Chicago market area, FPC Docket No. G-10176, *et al.* The second was known as the "Rock Springs Project" to provide additional gas supplies for the southern California market area, FPC Docket No. G-16235, *et al.* Neither project was finally authorized by the Commission.

In the Beatrice project Pacific Northwest proposed to furnish to Colorado Interstate a portion of the gas supply required to support the proposed sale. The necessary facilities to make such sale to Natural Gas Pipeline Company of America at Beatrice, Nebraska, were to be constructed by Colorado Interstate.

In the Rock Springs project it was proposed that a new transmission line be constructed from Green River, Wyoming, to a point on the California state line southwest of Las Vegas, Nevada. The portion of the line between Green River and Thistle, Utah, near Provo, was to be owned by Colorado Interstate and the balance by El Paso. The line's gas supply was to be provided from Colorado Interstate and from the Northwest Division.

MARKETS AND SUPPLY AREAS

Neither the markets nor any significant portion of the supply areas of the Northwest Division or of Colorado Interstate are economically accessible to the other. Basically, this is a fact of geography with the Rocky Mountains separating the two pipeline systems except at their junction near Green River in southwestern Wyoming. From this interconnection, it is 375 pipeline miles to Colorado Interstate's principal market and even further to the Northwest Division's.

Colorado Interstate's principal gas supply areas are in the Texas Panhandle, in western Oklahoma and Kansas, and along its pipeline across southern Wyoming. The principal markets of Colorado Interstate are on the eastern slope of the Rocky Mountains in Colorado, principally Denver, Colorado.

[fol. 987]

Exhibit 11
Page 4 of 4

The Northwest Division's gas supply areas are on the western slope of the Rocky Mountains along its pipeline route in the states of Colorado, Utah, and Wyoming. Other sources of gas are available to the Northwest Division from pipeline interconnections at or near the Canadian border. The Northwest Division's principal market area is in the Pacific Northwest states.

This division of the markets and supply areas of the two companies is further reinforced by the characteristics of such markets, of their location to supply sources, of the economics of service to them and of other factors.

Comparison of Certain Natural Gas Pipe Line Companies

January 20, 1965

	PNW Pipe Line	Colorado Interstate	El Paso Natural	Texas Eastern	United Gas	Tennessee Gas	Mississippi River Fuel	Trans-continental	Southern Natural	Texas Gas	Panhandle Eastern	Northern Natural	Florida Gas	Transwestern	
Common Stock Data															
Latest 12 mos. earnings per share common		$2.09	$1.41	$1.16	$2.38	$1.38	$2.35	$1.34	$3.79	$2.74	$4.25	$2.77	$0.90	$0.53	
Market (1-15-65)		30 5/8	23 5/8	22 1/8	36 1/4	24 7/8	38 3/8	23 (bid)	70 1/8	47	79 3/4	60 1/2	11 7/8(bid)	12 5/8	
Price times earnings		14.7X	16.8X	19.1X	15.2X	18X	16.3X	17.2X	18.5X	17.2X	18.8X	21.8X	13.1X	23.8X	
Current dividend		$1.25	$1.00	$0.90	$1.70	$1.00	$1.80	$1.00	$2.20	$1.80	$2.40	$2.00	-	-	
Current yield		4.1%	4.2%	4.1%	4.7%	4%	4.7%	4.3%	3.1%	3.8%	3%	3.3%	-	-	
Market as % book for common		180%	204%	221%	150%	245%	185%	268%	273%	188%	419%	240%	130%	168%	
Shares (9-30-64) (000)		4,071	22,932	19,408	12,869	44,119	4,046	15,370	4,984	3,546	7,009	9,166	5,365	6,000	
Common book value (9-30-64)(000)	$63,201	$69,265(A)	$265,478	$194,822	$311,709	$447,797	$83,920	$131,754	$120,798	$88,462	$133,558	$231,447	$48,724(A)	$45,057(A)	
Book value per share		$17.01	$11.58	$10.03	$24.22	$10.15	$20.74	$8.57	$25.68	$24.95	$19.05	$25.25	$9.15	$7.51	
Net Income															
1963 as % of 1961		118%	83%	125%	113%	107%	101%	116%	113%	115%	139%	125%	1050%	114%	
Latest 12 mos. as % of 1961		114%	94%	115%	114%	113%	110%	122%	133%	116%	195%	126%	2389%	164%	
Capitalization Ratios	1-1-65	12-31-63(D)	9-30-64	9-30-64	9-30-64	9-30-64(B)	9-30-64	9-30-64	9-30-64	9-30-64	9-30-64	9-30-64	12-31-63	12-31-63	Averages(E)
First mortgage bond	58.3%	35.8%	48.1%	38.2%	34.8%	25.4%	-	56.8%	40.1%	26.3%	23.5%	2.4%	51.1%	52.2%	30.1%
Sinking fund debenture	14.1	16.4	13.1	25.7	16.7	23.5	35.6%	8.8	9.3	33.9	40.9	52.7	-	-	25.1
Other debt	2.2	-	8.0(F)	1.7	3.3	13.4(C)	6.9	1.6	2.1	.2	-	-	26.1(G)	24.4(H)	3.4
Total debt	74.6	52.2	69.2	65.6	54.8	62.3	42.5	67.2	51.5	60.4	64.4	55.1	77.2	76.6	58.6
Minority interest	-	5.5	.8	-	1.4	1.4	-	-	.8	-	-	-	-	-	.9
Preferred stock	-	9.9	9.5	14.3	-	11.8	-	13.3	-	6.4	9.5	7.8	-	-	7.5
Common stock plus surplus	25.4	32.4	20.5	20.1	43.8	24.5	57.5	19.5	47.7	33.2	26.1	37.1	22.8	23.4	33.0
Total capitalization	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Capitalization (000)	$248,670	$213,535	$1,294,509	$967,289	$709,458	$2,103,541	$145,920	$678,315	$253,038	$266,340	$511,505	$624,420	$213,925	$192,711	
Mortgage Bond Ratings															
Moody's		A	Ba	Baa	A	Baa	Baa	Baa	A	Baa	A	A	NR	NR	
S & P		A	BB	BBB	A	BBB	A	BBB	A	BB	A	A	NR	NR	
Operating Revenues															
Sale, transportation and storage of natural gas	93%	53%	77%	76%	87%	55%	87%	97%	78%	94%	94%	87%	91%	100%	
Other	7	47	23	24	13	45	13	3	22	6	6	13	9	0	
Total operating revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

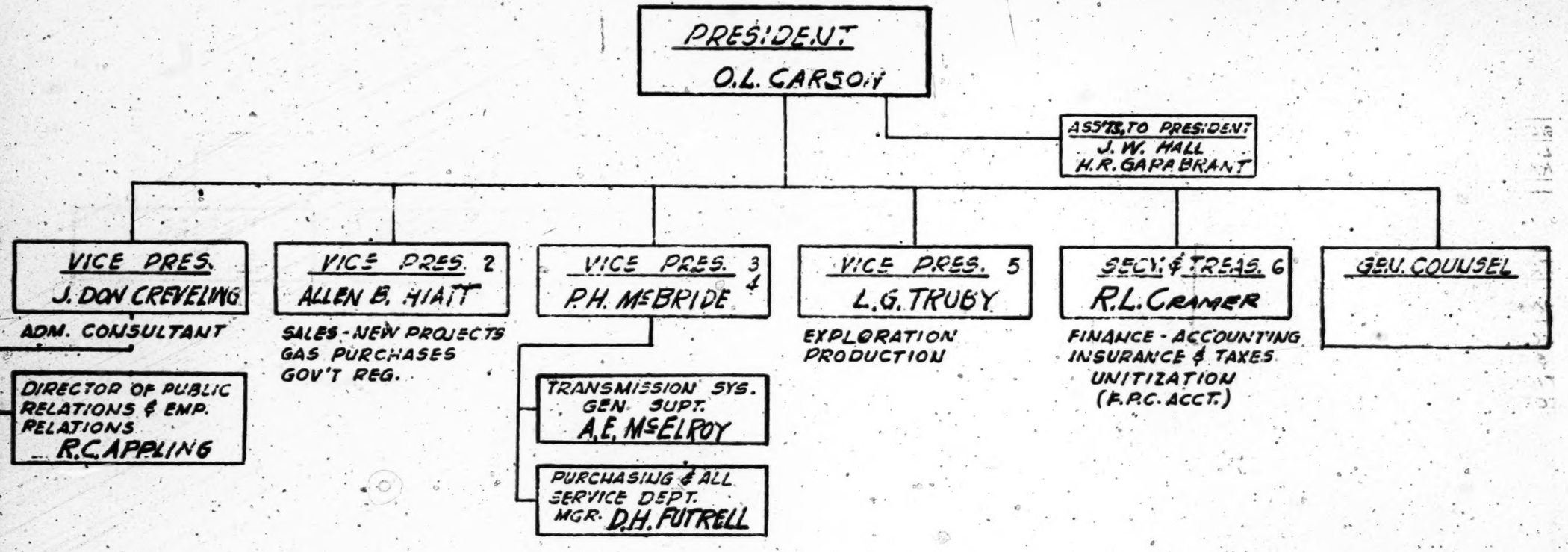
Notes:
(A) 12-31-63.
(B) Pro forma for $40MM 5% debs. issued 12-7-64.
(C) Includes $171.6MM non-interest bearing purchase obligations.
(D) Pro forma for $35MM debs. issued 4-22-64.
(E) Excludes PNW, Florida Gas and Transwestern.
(F) Includes $59.5MM convertible debs. (4.6% of capitalization).
(G) Includes $36.7MM debs. sold in units with common stock.(17.2% of capitalization)
(H) Includes $40MM debs. payable by issuance of preferred stock (20.8% of capitalization).

General Note: Figures for above companies are on a consolidated basis except Transcontinental, Mississippi River Fuel and Transwestern.

IN UNITED STATES DISTRICT COURT
PLAINTIFF'S EXHIBIT 22

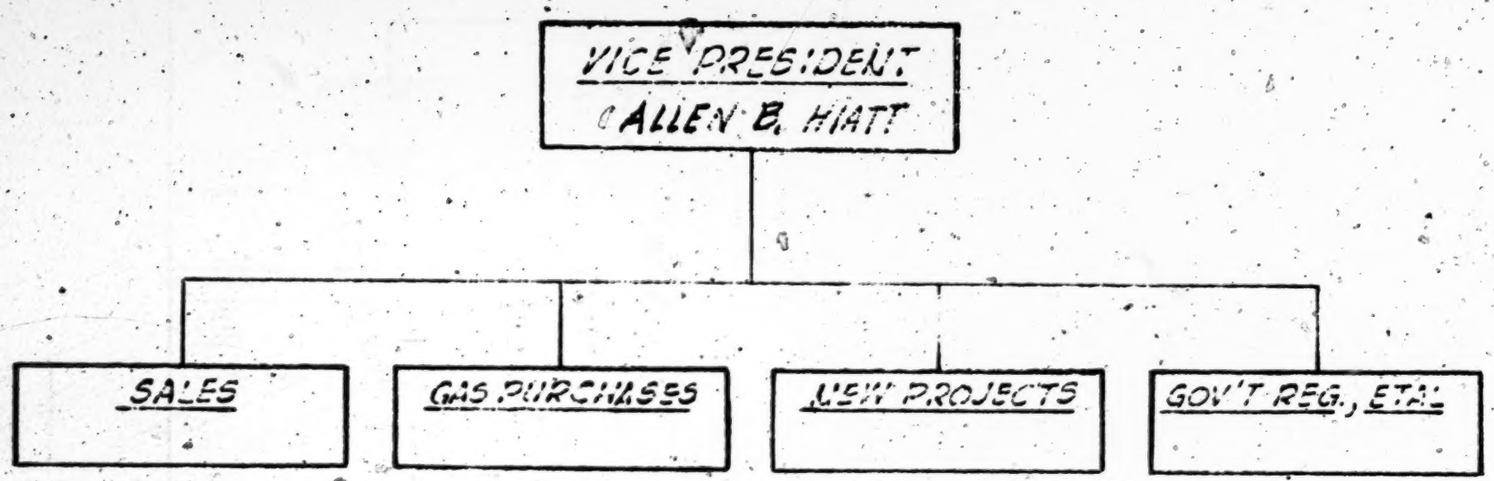
Estimated PNW Rate Base and Projected Future Earnings

UTILITY PLANT, December 31, 1964	$335,472
LESS -- RESERVES AND ADJUSTMENTS:	
Depreciation, depletion and amortization	$ 71,834
Adjustment per FPC order -- Docket No. G-13019	10,000
Deferred Federal income taxes	20,066
Contributions in aid of construction	572
	$102,472
NET GAS PLANT INVESTMENT	$233,000
WORKING CAPITAL	7,000
ESTIMATED RATE BASE, December 31, 1964	$240,000
Rate of return	6.25%
Return	$ 15,000
Other income	65
Gross income	$ 15,065
Income deductions	9,065
Net income	$ 6,000



PARADOX PRODUCTION CORP.
402 EXECUTIVE BLDG.
SALT LAKE CITY, UTAH

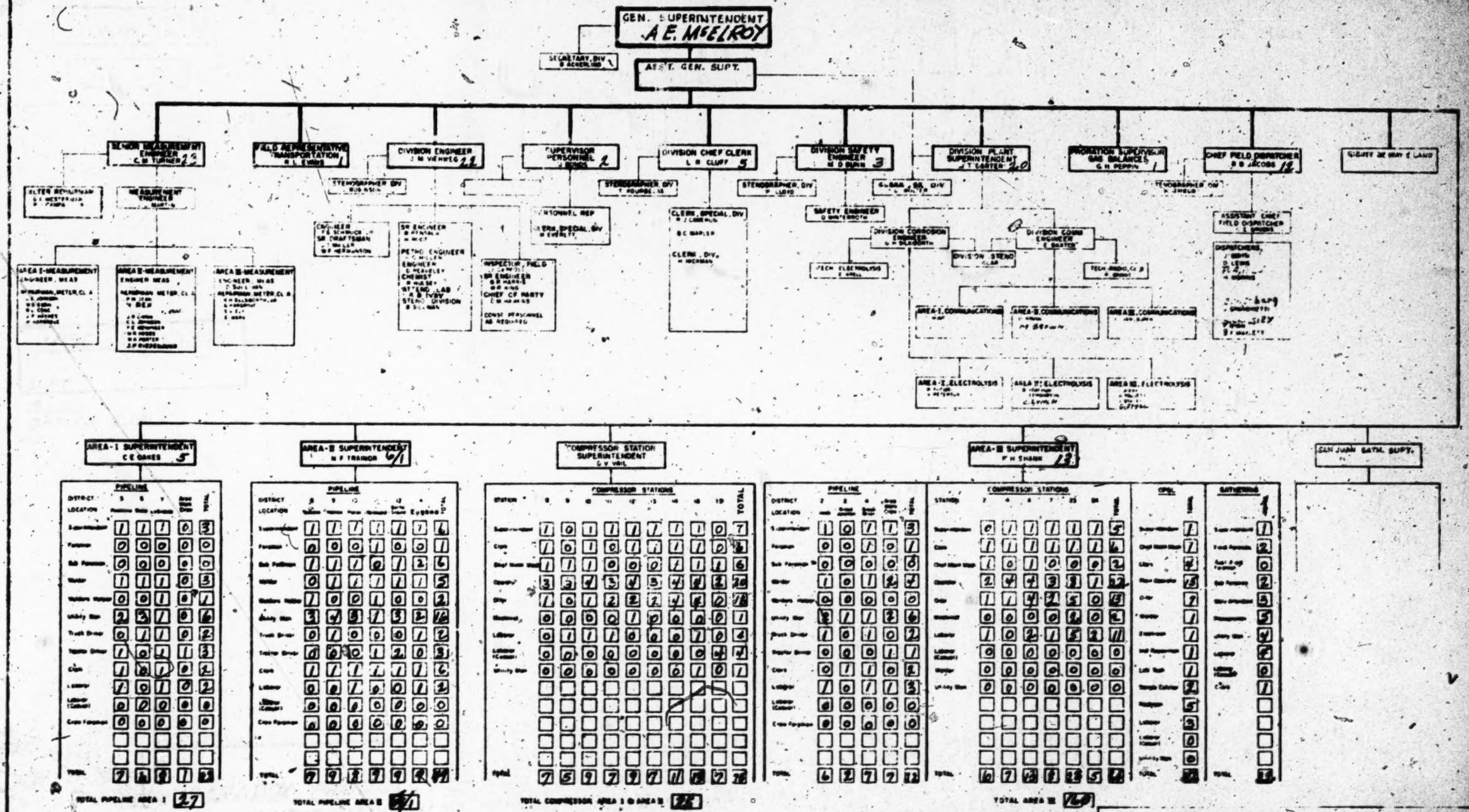
[fol. 991]



PARADOX PRODUCTION CORP.
404 EXECUTIVE BLDG.
SALT LAKE CITY, UTAH

2

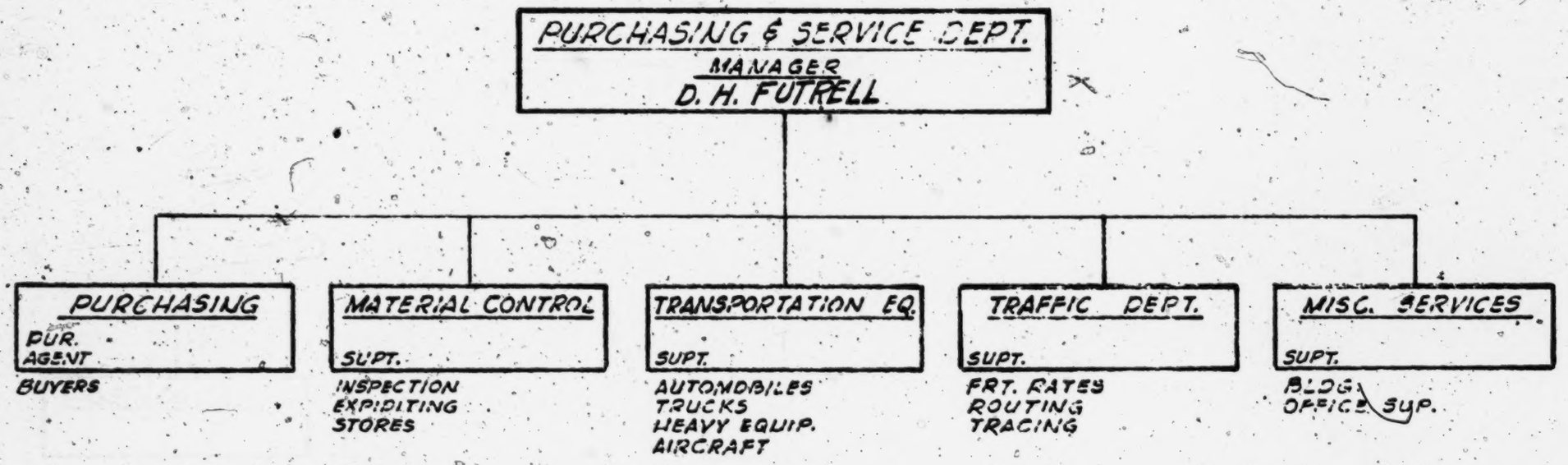
5-27-54



PARALOX PRODUCTION CO.
438 EXECUTIVE BLDG.
SALT LAKE CITY, UTAH

3

R-2944



PARADOX PRODUCTION CORP.
404 EXECUTIVE BLDG.
SALT LAKE CITY, UTAH

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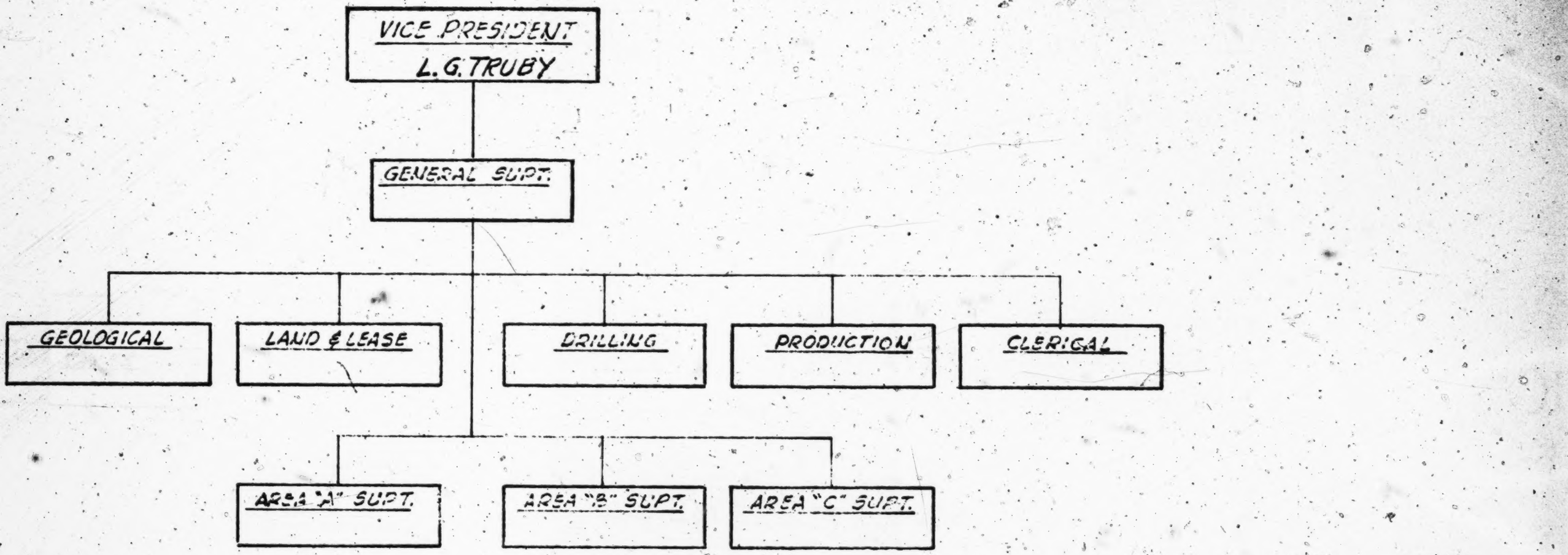
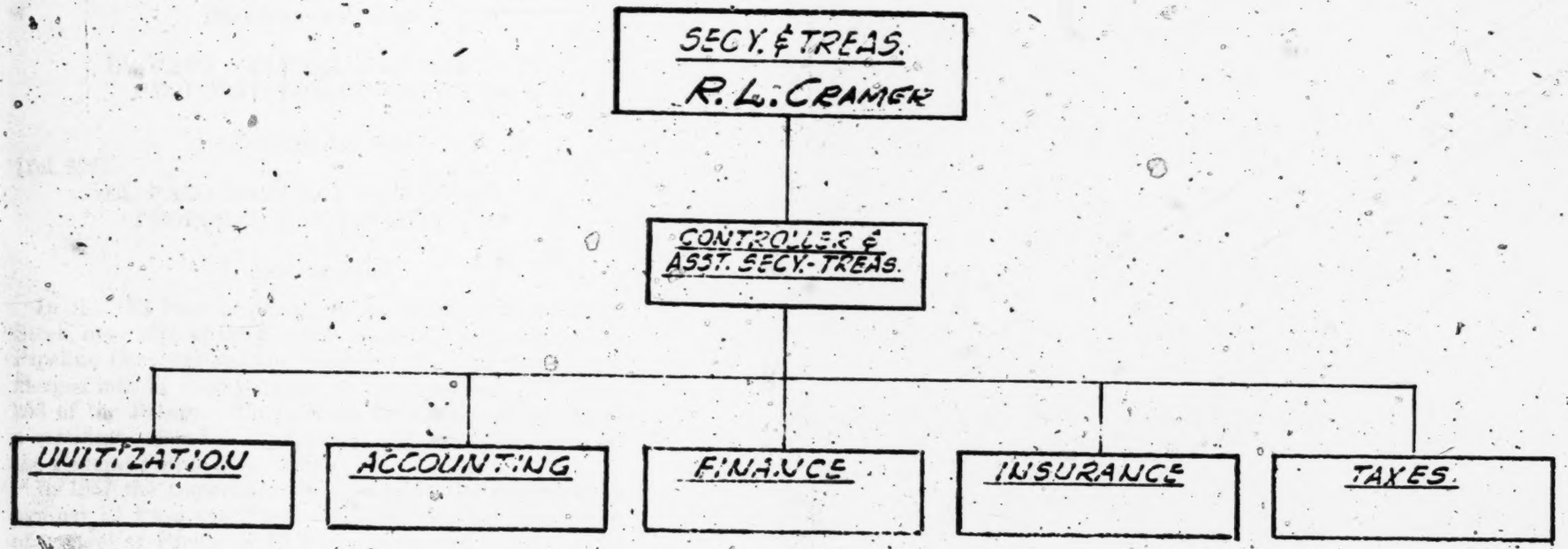
[fol. 994]



PARADOX PRODUCTION CORP.
404 EXECUTIVE BLDG.
SALT LAKE CITY, UTAH

5-27-64

5



PARADOX PRODUCTION CORP.
403 EXECUTIVE BLDG.
SALT LAKE CITY, UTAH

6-27-64

[fol. 996]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT A

EL PASO NATURAL GAS COMPANY PROPOSAL FOR DIVESTITURE

OCTOBER 13, 1964

[fol. 997]

EL PASO NATURAL GAS COMPANY PROPOSAL FOR DIVESTITURE

INTRODUCTION

In 1957 El Paso acquired, by an exchange of Common Stock, over 99% of the common stock of Pacific Northwest Pipeline Corporation. On December 31, 1959 Pacific was merged into El Paso pursuant to the provisions of Section 253 of the Delaware Corporation Law under authority of a certificate of public convenience and necessity issued by the Federal Power Commission.

In 1957 the Department of Justice instituted an action against El Paso and Pacific alleging that the acquisition of control of Pacific by El Paso constituted a violation of Section 7 of the Clayton Act. On the trial of this action judgment was entered by the trial court in favor of El Paso. However, on April 6, 1964 the Supreme Court of the United States reversed the decision of the trial court and directed that court to enter an order directing El Paso to divest itself of the Pacific properties without delay. The plan herein presented has been formulated after many conferences with the representatives of the Department of Justice, as well as the representatives of the various public utilities commissions and the executives of the distributing companies operating in the area to be served by New Company.

PLAN FOR DIVESTITURE

For the purposes of this presentation, it has been assumed that the divestiture will occur on December 31, 1964 and that properties will be transferred, securities issued and debt exchanged on that date.

The divestiture of the Pacific properties will be accomplished through the following steps:

1. El Paso will sell the stock to Westcoast Transmission Company, Ltd. to persons satisfactory to the Court.

2. A new corporation (hereinafter referred to as "New Company") will be formed to which will be transferred the operating properties received from Pacific Northwest with additions made thereto, the book value of the transferred properties being approximately $243,000,000 at the time of the transfer. A schedule of net assets to be transferred appears herein under Tab 1.

[fol. 998] 3. New Company will assume $145,000,000 of bonded indebtedness and $35,000,000 of debenture indebtedness of El Paso—

(a) by issuance of its First Mortgage Pipe Line Bonds in the aggregate amount of $145,000,000 to the holders of the outstanding El Paso First Mortgage Pipe Line Bonds, pro rata, series by series, but with an interest rate ⅛th of 1% above the interest rate applicable to the respective series of the El Paso bonds, in satisfaction of New Company's obligation under the assumption of its share of the El Paso bonded indebtedness, a like amount of bonds of El Paso to be surrendered and cancelled;

(b) by issuance of its Sinking Fund Debentures in the aggregate amount of $35,000,000 to the holders of the outstanding El Paso Sinking Fund Debentures pro rata, issue by issue, but with an interest rate

⅛th of 1% above the interest rate applicable to the respective issues of El Paso Debentures, in satisfaction of New Company's obligation under the assumption of its share of the El Paso Sinking Funded Debenture indebtedness, a like amount of El Paso Debentures to be surrendered and cancelled.

4. New Company will issue to El Paso all of its common stock, expected to have a book value of approximately $63,000,000.

The amount of mortgage bonds and debentures to be issued by New Company (with a corresponding amount of El Paso bonds and debentures to be cancelled), and the book value of the common stock, as set forth above, is based upon the value of the net assets after depreciation as of the estimated time of transfer to New Company and, therefore, is subject to adjustment to correspond with the value as of such time.

5. El Paso will, immediately upon divestiture deposit the common stock of New Company with a trustee acceptable to the Court, such trustee to hold and exercise all voting rights of such stock until distributed.

Distribution of Common Stock of New Company

Careful consideration has been given to various methods of disposing of the common stock of New Company. El Paso proposes the following four alternative methods for the distribution of the common stock of New Company:

[fol. 999] 1. A single distribution of the common stock of New Company to the holders of Common Stock of El Paso.

2. A distribution of the common stock of New Company to the holders of Common Stock of El Paso in installments over a period of up to three years.

3. The sale of common stock of New Company under a rights offering to El Paso common stockholders.

4. A single distribution of a portion of the common stock of New Company to the stockholders of El Paso and a substantially contemporaneous sale of the remaining common stock of New Company under a rights offering to El Paso common stockholders.

Consents of Bonds and Debenture Holders

In order to accomplish the plan above outlined it is necessary to obtain the consent of the Bondholders and Sinking Fund debenture holders of El Paso to

1. Exchange the Bonds and Debentures of El Paso for the Bonds and Debentures of New Company and

2. To modify the Indentures in certain respects applicable to the Bonds and Debentures outstanding.

El Paso has already obtained the consents of the holders of over 98% of its outstanding bonds and sinking fund debentures and proposes to obtain all of such consents necessary to put the plan of divestiture into effect. There is attached under Tab 2 a list of all such bond and debenture holders showing those that have given their consent to the plan to date.

Under certain of the methods for disposing of the stock of New Company, agreement of other of El Paso's security holders (Convertible Debentures, Cumulative Preferred Stock and Convertible Second Preferred Stock) may be required. No attempt has been made to secure such agreements because by available alternative methods the distribution of such stock can be accomplished within the framework of this proposal without further consents.

Contracts between New Company and El Paso

El Paso and New Company will enter into four contracts, copies of which are included under Tabs 3, 4, 5, and 6.

The contract under Tab 3 re-establishes an arrangement which resulted from a contract negotiated between Pacific

Northwest Pipeline Corporation and El Paso before the [fol. 1000] stock acquisition. Deliveries thereunder were authorized by the Federal Power Commission. In essence, the contract will provide that of the 300 million cubic feet of gas purchased by New Company from Westcoast Transmission Company, Ltd., at the Canadian border near Sumas, Washington, 100 million thereof will be sold to El Paso and then exchanged by El Paso to New Company for an equal volume delivered in San Juan. The price to be paid for such gas will be the price paid by New Company plus a three-cent per Mcf exchange charge.

The contract under Tab 4 re-establishes an arrangement which resulted from a contract negotiated between Pacific Northwest Pipeline Corporation and El Paso before the stock acquisition. Service under such contract was authorized by the Federal Power Commission. In essence, the contract will provide that each company utilize its existing facilities in the San Juan Basin to gather gas from the other's wells in proximity thereto. Each company will charge the other 4½¢ per Mcf for the gas so gathered. The price has been arrived at on the basis of extensive experience by El Paso in the San Juan Basin. It compares with a charge agreed to by El Paso for payment to Southern Union Gas Company for gas gathered by that company. The charge would be subject to the continuing jurisdiction of the Federal Power Commission.

The contract under Tab 5 provides that during an interim period of five years, El Paso will purchase, during the summer months, such quantities of gas required by New Company to be taken from Westcoast Transmission Company, Ltd., at the Canadian border near Kingsgate, British Columbia, as New Company tenders to El Paso, not exceeding 22 billion cubic feet in the first year and decreasing 4 billion cubic feet per year. El Paso will pay the price charged to New Company by Westcoast. Delivery will take place in the San Juan Basin. New Company will have the option to purchase from El Paso in the winter months of each such year a quantity of gas not exceeding that sold to El Paso.

Delivery will take place in the San Juan Basin. New Company would pay 18½¢ per Mcf for such gas.

The contract under Tab 6 re-establishes the arrangement as it existed at the time of merger by providing for the delivery to Colorado Interstate Gas Company at Rock Springs, Wyoming, of the remaining portion of 30 billion cubic feet of gas which Colorado Interstate Gas Company will buy in the San Juan Basin during the next four years. Colorado Interstate in 1957 and 1958 paid Pacific Northwest for such delivery to be made at a later date.

NEW COMPANY

General

New Company will be a soundly financed and healthy enterprise from the date of the divestiture. It will be independent of El Paso and fully capable of serving its markets in the Rocky Mountain and Pacific Northwest areas. There has been a consistent growth in its gross revenues substan- [fol. 1001] tially exceeding six per cent per year. Its market consists mainly of regional distributors with the bulk of its sales ultimately going to domestic and small industrial users so that its stability is not dependent on any one customer or industry.

In setting up the proposed plan of divestiture El Paso proceeded on the following principles:

1. It included in the divestiture all property that it received in the merger and

2. all additions to such property and

3. all property that can be properly considered a part of the system so set up such as the Opal Gasoline Absorption Plant and

4. all gas supply sources, such as contracts for the purchase of gas and leaseholds containing gas reserves, which were acquired by El Paso in the merger plus all

contracts for additional supply North of Igancio, Colorado obtained since the merger and connected to the system to be created by the divestiture.

Thus, the contract for 150 million cubic feet per day from Alberta, Canada (Kingsgate Gas), illustrates the application of this principle. El Paso negotiated with the suppliers in Canada for this gas, and prosecuted to successful conclusion the applications both before the Canadian Commission and the Federal Power Commission for the export and import of this gas. This supply is an extremely important source of gas for New Company.

Gas Supply

The gas supply to be transferred to New Company as outlined above will result in a reserve life index for New Company of 27.4 years (Tab 7), and a deliverability life of 14 years (Tab 8), both measured from January 1, 1964 and computed in the usual fashion employed by the industry. This compares with a reserve life index for El Paso of 26.8 years and a deliverability life of 14 years, also measured from January 1, 1964 and giving effect to the proposed divestiture.

Properties

There will be transferred to New Company operating properties received in the merger from Pacific Northwest Pipeline Corporation, including gas production properties, with additions made thereto, gas sales agreements entered into with customers to be served by New Company and gas supply contracts (including contracts for Canadian gas). The properties to be transferred will include 2633.6 miles of main and branch transmission lines ranging in size from 30-inch to 2⅜-inch, field gathering lines and appurtenances, 95,220 horsepower of compression, gas dehydration plants capable of treating 420 M³cf per day, two gasoline extraction plants with an aggregate inlet capacity of 550 M³cf of

gas per day, and 255,200 net proven acres of gas leasehold [fol. 1002] estates on which New Company will own 511 net proven gas wells. A System Map of New Company is included herein under Tab 9 and a description of the properties under Tab 10.

Investments to be transferred to New Company include 94% of the capital stock of Northwest Production Corporation, a producing company owning 92,600 net acres of oil and gas properties, 99 net producing wells, most of which are located in the San Juan Basin and a gasoline extraction plant located in Reagan County, Texas; 49% of the capital stock of Phillips Pacific Chemical Company, which owns and operates a fertilizer plant near Hedges, Washington, all of the capital stock of Pacific Northwest Realty Corporation, which owns an office building in Salt Lake City, Utah, and other minor investments.

Management

Compliance with the decree of divestiture to be entered by the Court will require that New Company be furnished with competent management, completely independent of El Paso. Preliminary discussions have been had with the Justice Department regarding competent management for New Company. Final consummation of the plan of divestiture will naturally be subject to the condition that suitable management shall have been provided for New Company.

It is expected that operating personnel of the present Northwest Division of El Paso, will, to a great extent, become the operating personnel of New Company.

Summary Capitalization Table

A Pro Forma Balance Sheet of New Company giving effect to the merger of Northwest Production Corporation is included herein under Tab 11. The following table summarizes the capitalization of New Company as of January 1, 1965:

	Expressed in Thousands	Per Cent
Capital Stock		
Common Stock and Premium on Common Stock (net of capital stock expense)	$ 63,201	25.42
Funded Debt		
First Mortgage Pipe Line Bonds	$145,000	58.31
Sinking Fund Debentures	35,000	14.07
Long-Term Bank Loans*	5,000	2.01
Other Long-Term Debt	469	.19
	$185,469	74.58
	$248,670	100.00

* To provide working capital.

[fol. 1003] *Earnings*

Earnings for New Company are forecast to be $7,172,674 for the calendar year 1965 as shown under Tab 12 and a cash flow statement is included under Tab 13.

Rates

All calculations have been made on the basis of existing rates applicable to service rendered by the Northwest Division and the contracts to be executed between New Company and El Paso. It is proposed that New Company adopt the rates in effect at time of divestiture, including the benefits of the rate settlement agreement approved by the Federal Power Commission January 15, 1964.

Terms of Mortgage and Trust Indenture

The Mortgage and Trust Indenture of New Company will contain the provisions generally included in pipe line mortgages and trust indentures.

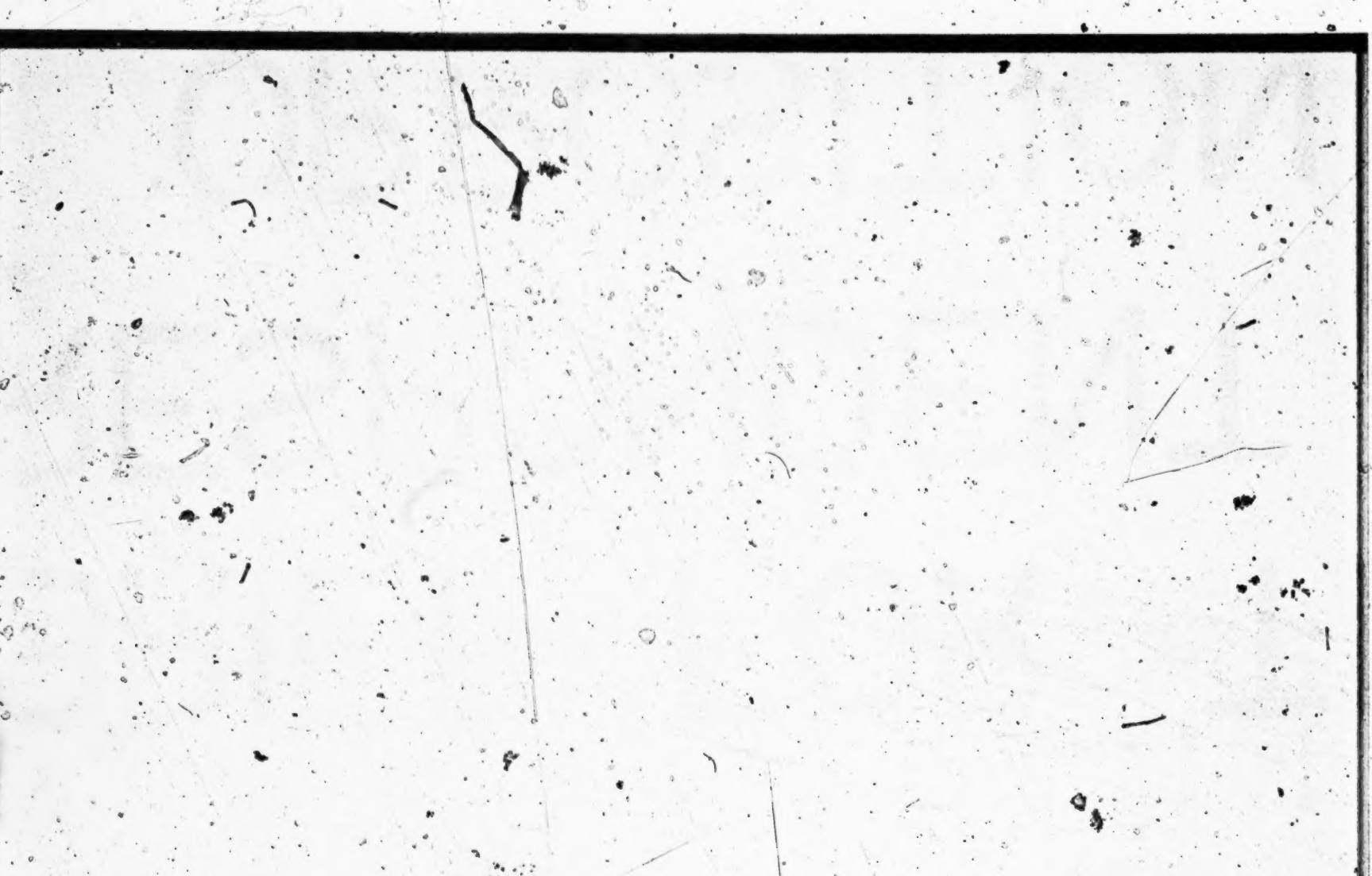
CONCLUSION

As soon as the Court enters an Interlocutory Decree covering the plan for divestiture contemplated herein, El Paso will promptly cause New Company to file an application with the Federal Power Commission for a certificate of Public Convenience and Necessity to acquire the properties and render the services described herein. El Paso will also proceed to finalize the necessary agreements with security holders to the end that divestiture will be consummated at the earliest practicable date.

[fol. 1004-tab 1]

CLERK'S NOTE

"TAB 1—Summary Schedule of El Paso Natural Gas Company—Net Assets to be transferred to New Company, December 31, 1964" is omitted from the record here as it appears on pages 1472-1473 supra.



[fol. 1006-tab 2]

EL PASO NATURAL GAS COMPANY

STATUS OF BOND AND SINKING FUND DEBENTURE HOLDERS
Holdings as of June 30, 1964
Report as of September 25, 1964
Thousands of Dollars

Name	Bonds	Debentures	Total	Committed	Contacted No Answer	Not Contacted
Aetna Life Insurance Company	$ 27,194	$ 15,958	$ 43,152	$ 43,152	$	$
American National Insurance Company	1,239		1,239			1,239
Annuity Fund for Congregational Ministers		90	90		90	
Bankers Life Insurance Company of Nebraska	300	250	550	550		
Beneficial Fire & Casualty Co.	79		79			79
Board of Trustees of Employees' Retirement System of the Atlantic Refining Company	34		34			34
Board of Trustees of the Sheffield Scientific School	100		100			100
The Bowery Savings Bank	1,759		1,759	1,759		
State of California, State Employees' Retirement System	15,742		15,742	15,742		
State of California, State Teachers' Retirement System	9,599		9,599	9,599		
Central Life Assurance Company	379	257	636		636	
The Chase Manhattan Bank	17,708	600	18,308	18,308		
The Colonial Life Insurance Company of America		250	250			250
Commonwealth Life Insurance Company	341		341	341		
The Connecticut Bank and Trust Company		560	560			560
Connecticut General Life Insurance Company	14,482	5,258	19,740	19,740		
The Connecticut Mutual Life Insurance Company	8,038	2,803	10,841	10,841		
Continental Assurance Company		1,068	1,068	1,068		
Continental Illinois National Bank and Trust Company of Chicago	387		387	387		
Country Life Insurance Company	227		227	227		
East River Savings Bank	2,219	3,402	5,621	5,621		
The Equitable Life Assurance Society of the United States	39,805	37,765	77,570	77,570		
Equitable Life Insurance Company of Iowa	960	1,068	2,028	2,028		
Farmers & Mechanics Savings Bank	58		58	58		
The Fidelity Mutual Life Insurance Company	2,876	177	3,053	3,053		
First National Bank of Boston	23		23			23
The First National Bank of Chicago	739		739	739		
The First National Bank, Minneapolis, Minnesota	214		214	214		
First National City Bank	1,690		1,690	1,690		
The First Pennsylvania Banking and Trust Company		128	128			128
The Ford Foundation	1,950		1,950	1,950		
The Franklin Life Insurance Company	1,475		1,475		1,475	
Guarantee Mutual Life Company	152		152	152		
The Guardian Life Insurance Company of America	1,702	2,386	4,088	4,088		
Gulf Life Insurance Company	847		847	847		
John Hancock Mutual Life Insurance Company	28,766	15,912	44,678	44,678		
Home Life Insurance Company	3,232	564	3,796	3,796		
Indianapolis Life Insurance Company	379		379	379		
Industrial Indemnity Company	278		278			278
Investors Mutual, Inc.	3,133	2,920	6,053	6,053		
Investors Syndicate of America, Inc.		4,338	4,338	4,338		

Name	Bonds	Debentures	Total	Committed	Contacted No Answer	Not Contacted
Investors Selective Fund, Inc.	$ 146	$	$ 146	$ 146	$	$
Investors Syndicate Life Insurance and Annuity Company	293		293	293		
Jefferson Standard Life Insurance Company	1,116	1,601	2,717	2,717		
Kansas City Life Insurance Company		257	257		257	
The Lincoln National Life Insurance Company	3,677	2,202	5,879	5,879		
The Lincoln National Life Insurance Company of New York	79		79	79		
The Lutheran Brotherhood		534	534	534		
Manufacturers Hanover Trust Company	74		74		74	
Massachusetts Mutual Life Insurance Company	2,583	4,038	6,621	6,621		
Mellon National Bank and Trust Company	3,051		3,051	3,051		
Metropolitan Life Insurance Company	246,745	58,044	304,789	304,789		
Mission Insurance Company	130		130			130
Modern Woodmen of America		950	950	950		
Morgan Guaranty Trust Company of New York	3,696	740	4,436	4,436		
The Mutual Benefit Life Insurance Company	8,017		8,017	8,017		
The Mutual Life Insurance Company of New York	25,148	7,579	32,727	32,727		
Mutual Trust Life Insurance Company	190		190	190		
National Life Insurance Company	1,515	534	2,049			2,049
New England Mutual Life Insurance Company	9,363	3,970	13,333	13,333		
New York Life Insurance Company		14,888	14,888	14,888		
North American Reassurance Company	260		260	260		
The Northwestern Mutual Life Insurance Company	11,345	4,406	15,751	15,751		
Pacific Mutual Life Insurance Company	3,138		3,138	3,138		
The Penn Mutual Life Insurance Company	1,112	3,804	4,916	4,916		
The Philadelphia Saving Fund Society	3,337	535	3,872	3,872		
Phoenix Mutual Life Insurance Company	3,028		3,028	3,028		
Pilot Life Insurance Company		432	432	432		
Presbyterian Ministers' Fund	386		386			386
Princeton University	386		386		386	
Provident Mutual Life Insurance Company of Philadelphia	5,432		5,432	5,432		
Retirement Fund for Lay Workers of The Congregational Church		90	90		90	
The Rockefeller Institute	748		748	748		
Royal Liverpool Group	386		386		386	
Royal Neighbors of America	569		569	569		
The Southland Life Insurance Company		178	178			178
Stanford University	340		340			340
State Farm Life Insurance Company	190	217	407		407	
Sun Life Assurance Company of Canada	19,148	1,968	21,116	21,116		
Teachers Insurance and Annuity Association of America	1,994	802	2,796	2,796		
Teachers Retirement System of Georgia		1,500	1,500	1,500		
The Travelers Insurance Company	30,220	7,942	38,162	38,162		
The Trustees of Columbia University in the City of New York	246		246	246		
Trustees of the General Electric Pension Trust	11,434		11,434	11,434		
Trustees of the Pension Trust of Bethlehem Steel Corporation and Subsidiary Companies	2,319		2,319			2,319
Trustees of H. K. Porter Company, Inc.	8		8			8
Union Dime Savings Bank	265		265	265		
United Church Foundation, Inc.		43	43		43	

3

Name	Bonds	Debentures	Total	Committed	Contacted No Answer	Not Contacted
United Church Board for Homeland Ministries-American Missionary Association	$	$ 73	$ 73	$	$ 73	$
United Church Board for Homeland Ministries		43	43		43	
United Church Board for Homeland Ministries-Dillard		43	43		43	
United States Steel and Carnegie Pension Trust	17,437	1,305	18,742	18,742		
United States Trust Company of New York	487		487		487	
University of California, Regents of the	190		190			190
University of Notre Dame	76		76	76		
Valley National Bank of Phoenix		178	178			178
The Volunteer State Life Insurance Company		90	90		90	
Wadsworth Atheneum		85	85			85
Wenner-Gren Foundation for Anthropological Research, Incorporated	43		43		43	
The Western & Southern Life Insurance Company	100		100	100		
State of Wisconsin Investment Board	758		758	758		
Yale University	859		859			859
TOTAL	$610,170	$214,825	$824,995	$810,959	$ 4,623	$ 9,413
				98.30%	0.56%	1.14%

[fol. 1009-tab 3]

CLERK'S NOTE

"TAB 3—Sumas Exchange Agreement" is omitted from the record here as it appears on pages 1476-1492 supra.

[fol. 1029-tab 4]

CLERK'S NOTE

"TAB 4—San Juan Gathering Agreement" is omitted from the record here as it appears on pages 1493-1515 supra.

[fol. 1056-tab 5]

INTERIM PURCHASE AND SALE OPTION

THIS AGREEMENT, dated as of ..... by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, hereinafter called "El Paso" and ...., a Delaware corporation, hereinafter called "New Company",

WITNESSETH:

WHEREAS, El Paso and Westcoast Transmission Company Limited (Westcoast) heretofore entered into a contract dated September 23, 1960, which contract is herein referred to as the "Kingsgate Contract" under the terms of which Westcoast agreed to sell and deliver to El Paso and El Paso agreed to purchase and take Canadian Gas at a point on the International Boundary near Kingsgate, British Columbia (such gas hereinafter referred to as "Kingsgate Gas"), and

WHEREAS, El Paso will assign to New Company its rights, duties and obligations under the Kingsgate Contract, and

WHEREAS, in order to aid both companies in minimizing proration problems in the San Juan Basin area during

New Company's initial years of operation, the parties have agreed to the plan of operations set forth herein;

Now, THEREFORE, in consideration of the mutual covenants hereinafter set forth it is mutually understood and agreed by and between El Paso and New Company as follows:

[fol. 1057-tab 5] ARTICLE I

Term

Except as provided in Article II, this agreement shall remain in force and effect for a period of five (5) years following the commencement of deliveries hereunder, but not beyond December 31, 1971.

ARTICLE II

Right of Cancellation

1. *Right to Cancel*:

Upon cancellation of the Kingsgate Contract by either party thereto for any reason authorized therein, either party shall have the right to terminate this contract by written notice to be delivered to the other not later than thirty (30) days after the happening of such contingency.

2. *Modification of Kingsgate Contract*:

New Company agrees that except in accordance with the terms thereof, it will not without first obtaining the consent of El Paso in writing, cancel the Kingsgate Contract or modify the same in any manner which would prejudicially affect the rights of El Paso hereunder or the ability of New Company to perform its obligations hereunder to El Paso.

[fol. 1058-tab 5] ARTICLE III

Definitions

Except where the context expressly states another meaning, the following terms when used in this agreement shall have the following meanings:

1. The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at eight (8:00) A. M. Pacific Standard Time.

2. The term "month" shall mean the period beginning at eight (8:00) A. M. on the first day of the calendar month and ending at eight (8:00) A. M. on the first day of the next succeeding calendar month.

3. The term "year" shall mean a period of twelve (12) consecutive months beginning with the month next following the date of commencement of deliveries.

4. The term "commencement of deliveries" as used herein shall mean the date New Company commences operation.

5. The term "Mcf" shall mean one thousand (1,000) cubic feet of gas.

6. The term "gross heating value", when applied to a cubic foot of gas, means the number of British thermal units produced by the combustion in a record-[fol. 1059-tab 5] ing calorimeter at a constant pressure, of the amount of gas which would occupy a volume of one (1) cubic foot at a temperature of sixty degrees Fahrenheit (60°F.), if saturated with water vapor, and under a pressure equal to that of thirty (30) inches of mercury at thirty-two degrees Fahrenheit (32°F.) and under standard gravitational force (acceleration nine hundred and eighty and six hundred and sixty-five thousandths (980.665) cm. per second per second) with air of the same temperature and pressure as the gas, when the products of combustion

are cooled to the initial temperature of the gas and air, and when the water formed by combustion is condensed to the liquid state.

ARTICLE IV

Purchase and Sale of Gas

1. El Paso agrees to purchase and receive the volumes of gas which New Company desires to sell to El Paso during the summer months provided, however, such quantities shall not exceed the maximum for the time periods shown below:

(a) During New Company's first year of operations: a total quantity not to exceed 21,816,960 Mcf and a daily quantity not to exceed 133,879 Mcf.

[fol. 1060-tab 5] (b) During New Company's second year of operations: a total quantity not to exceed 17,850,240 Mcf and a daily quantity not to exceed 133,879 Mcf.

(c) During New Company's third year of operations: a total quantity not to exceed 13,883,520 Mcf and a daily quantity not to exceed 98,037 Mcf.

(d) During New Company's fourth year of operation: a total quantity not to exceed 9,916,800 Mcf and a daily quantity not to exceed 98,037 Mcf.

(e) During New Company's fifth year of operations: a total quantity not to exceed 5,950,080 Mcf and a daily quantity not to exceed 98,037 Mcf.

2. New Company shall have the option to have delivered to it by El Paso during the winter months for the periods of time shown in 1. above, the quantities of gas requested by New Company, provided, however, such quantities so requested shall not exceed the total volume delivered by New Company to El Paso during each such time period

and not in excess during any one day of the maximum daily quantity shown in 1. above.

3. For the purposes of this Article, it is understood and agreed that the term "winter months" shall mean the months of January, February, March, October, November and December and the term "summer months" shall mean the months of April, May, June, July, August and September.

[fol. 1061-tab 5] ARTICLE V

Charge and Payment

1. For each one thousand cubic feet (Mcf) of gas delivered by New Company to El Paso during any month El Paso shall pay New Company the average price per Mcf payable by New Company to Westcoast for Kingsgate Gas delivered by Westcoast to New Company during such month.

2. For each Mcf of gas delivered by El Paso to New Company at the points of delivery specified in Exhibit A, New Company shall pay El Paso for gas so delivered at the rate of eighteen and one-half cents (18½¢) per Mcf.

ARTICLE VI

Delivery Point and Pressure

1. The point of delivery for all gas deliverable by New Company to El Paso under the terms of this agreement shall be at a point on New Company's main line transmission system at the outlet of New Company's Compressor Station No. 1 near Ignacio, Colorado.

2. The point of delivery for all gas deliverable by El Paso to New Company under the terms of this agreement shall be at the points of interconnection between New Company's and El Paso's gathering facilities in the San Juan Basin area and described in Exhibit A attached hereto.

3. The gas deliverable by New Company to El Paso shall be at pressures requested by El Paso but not less than eight [fol. 1062-tab 5] hundred pounds (800#) per square inch gauge. All gas deliverable by El Paso to New Company shall be at a pressure which will allow such gas to enter New Company's system at the points of interconnection but not in excess of five hundred pounds (500#) per square inch gauge.

Article VII

Quality

1. The gas deliverable by either party to the other hereunder shall conform to the following specifications:

> The gas delivered hereunder shall contain not more than one-fourth (¼) grain of hydrogen sulphide nor more than five (5) grains of organic sulphur per one hundred (100) standard cubic feet and not more than five percent (5%) by volume of carbon dioxide. The gross heating value of the gas delivered hereunder shall be not less than one thousand fifty (1,050) British thermal units per standard cubic foot saturated with water vapor.

2. If the gas offered for delivery by one party to the other hereunder shall fail at any time to conform to any of the specifications set forth in this Article then the company receiving the gas agrees to notify the delivering party of such deficiency and if the delivering party fails promptly to remedy any deficiency in quality then the receiving party may, at its option, refuse to accept delivery pending [fol. 1063-tab 5] correction by the delivering party, or may accept delivery of such gas and may make changes necessary to bring such gas into conformity with such specifications and the delivering party shall reimburse the receiving party for any reasonable expenses incurred by the receiving party in effecting changes to enable the gas to comply with the specifications set forth in this Article.

Article VIII

Measurement

1. *Unit of Volume*:

The unit of volume of gas for all purposes hereunder (except for computation of heating value under the provisions of Section 1 of Article hereof) shall be one (1) cubic foot at an absolute pressure of fifteen and twenty-five thousandths pounds (15.025#) per square inch at a temperature of sixty degrees Fahrenheit (60°F.), computed in accordance with Boyle's Law governing pressure and volume of gases.

2. *Determination of Volume*:

The volume of gas delivered hereunder shall be computed in accordance with the methods prescribed in Gas Measurement Committee Report No. 3, Natural Gas Department, American Gas Association, including the Appendix thereto, dated April 1955, or as it may be revised, supplemented and/or superseded by reports subsequently issued by said Association.

3. *Specific Gravity*:

The specific gravity of the gas delivered shall be determined by means of recording gravitometer to be installed [fol. 1064-tab 5] on the upstream side of the point where the gas is metered, and the arithmetic average specific gravity each day at such point shall be used in computing deliveries of gas during the day at such points.

4. *Flowing Temperatures*:

The flowing temperature of the gas in the meters shall be determined by means of a recording thermometer to be installed in accordance with the recommendations contained in the said Gas Measurement Report No. 3, and

the arithmetic average temperature each day shall be used in computing the deliveries of gas during such day.

5. *Assumed Atmospheric Pressure*:

The average absolute atmospheric pressure of each delivery point hereunder shall be determined by the parties on the basis of the application of the customary formula to the actual elevation of such delivery point and such determination shall govern, irrespective of the actual elevation or location of the point of delivery above sea level or variations in such atmospheric pressure from time to time.

6. *Heating Value*:

The heating value of the gas delivered hereunder shall be determined at such times and through the use of such method as may be mutually agreeable to the parties hereto.

ARTICLE IX

Measuring Equipment

1. The delivering party at its sole cost and expense, shall install, maintain and operate at the point of each delivery, [fol. 1065-tab 5] a standard type orifice meter or meters for the measuring of the quantity of gas delivered hereunder. Orifice meters shall be installed and operated in accordance with the specifications specified in Gas Measurement Committee Report No. 3, of the Natural Gas Department of the American Gas Association, dated April 1955, including the Appendix thereto, or as it may be revised, supplemented and/or superseded by reports subsequently issued by said Association. The delivering party shall cause the charts on such meter to be changed daily. The respective meter, meter readings and meter charts shall be accessible, at all reasonable times, to inspection and examination by the party receiving such gas at the point of delivery.

2. Once each month the accuracy of the measuring equipment of the delivering party shall be verified by and at its expense in the presence of the receiving party's representative and the parties shall jointly observe any adjustments which are made in such measuring equipment. If either party at any time shall notify the other that it desires a special test of any meter, the other party shall cooperate to secure an immediate verification of the accuracy of such meter and joint observation of any adjustments. The delivering party shall give the receiving party notice of the time of all tests in order that the receiving party may conveniently have its representative present. Reading, calibration and adjustment of delivering party's meters and changing of charts shall be done only by it.

[fol. 1066-tab 5] 3. If, upon any test, the percentage of inaccuracy shall be two percent (2%) or more, the registration of such meter shall be corrected at the rate of such inaccuracy for any period which is definitely known or agreed upon but, in case the period is not definitely known or agreed upon, then for a period extending back one-half (½) of the time elapsed since the date of the last calibration. Following any test, metering equipment found inaccurate shall be immediately restored by the delivering party as closely as possible to a condition of accuracy. If, for any reason, any meter is out of service and/or out of repair so that the amount of natural gas delivered cannot be estimated or computed from the reading thereof, the amount of natural gas delivered during the period such meter is out of service and/or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available, using the first of the following methods which is feasible:

(a) By correcting the error if the percentage of error is ascertainable by calibration test or mathematical calculation;

(b) By using the registration of the receiving party's check meter, if installed and accurately registering;

(c) By estimating the quality of delivery by deliveries during preceding periods under similar conditions when the meter was registering accurately.

[fol. 1067-tab 5] 4. The receiving party, at its option and expense, may install and operate check meters to check the delivering party's meters, but measurement of gas for the purpose of this agreement shall be by the delivering party's meter, except as hereinabove specifically provided to the contrary.

5. The party operating any meters in accordance with Section 1 of this Article shall cause to be preserved all test data, charts and other records of gas measurement for such meters for a period of time not to exceed that as required by the appropriate regulatory agencies having jurisdiction in such matters.

Article X

Statements and Payments

1. *Billing*:

On or before the fifteenth (15th) day of each calendar month, the delivering party shall render to the receiving party a statement for gas delivered under this Agreement during the preceding calendar month. Such statement shall be accompanied by measurement charts and records from delivering party's metering equipment for inspection and verification by receiving party, subject to return thereof within thirty (30) days after receipt thereof.

2. *Payments*:

Receiving party shall pay to delivering party at the delivering party's office specified herein, on or before

the twenty-fifth (25th) day of each month for the gas [fol. 1068-tab 5] delivered to the receiving party by delivering party during the preceding calendar month as billed in the statement for said month.

3. *Adjustments for Over and Under Billing*:

In the event an error is discovered in the amount billed in any statement rendered by delivering party, such error shall be adjusted within thirty (30) days of the determination thereof, provided that claim therefor shall have been made within sixty (60) days from the date of discovery of such error, but in any event, within twelve (12) months from the date of receipt of such statement.

Article XI

Possession of Gas

1. *Point of Delivery Controls*:

As between the parties to this Agreement, each party shall be deemed to have title to and be in control and possession of the gas deliverable hereunder from the time of receipt of such gas by it into its facilities.

2. *Responsibility*:

The receiving party shall have no responsibility with respect to any gas deliverable under this Agreement until it is received into its facilities or on account of anything which may be done, happen or arise with respect to such gas before such delivery and receipt, and the delivering party shall have no responsibility with respect to such gas after its delivery into the facilities of the other party or on account of anything which may be done, happen or arise with respect to such gas after such delivery.

[fol. 1069-tab 5] ARTICLE XII

Warranty and Title of Gas

Each party warrants generally the title to all gas delivered to the other hereunder and its right to sell or exchange the same, and warrants that such gas shall be free and clear of all liens and adverse claims.

ARTICLE XIII

Force Majeure

No failure or delay in peformance of this Agreement by either party hereto shall be deemed to be a breach of this Agreement when such failure or delay is occasioned by or due to any act of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of rulers and peoples, civil disturbances, explosions, sabotage, breakage or accident to machinery or lines of pipe, temporary or permanent failure of gas supply, inability to obtain pipe, materials or equipment, the binding order of any court or governmental authority, or any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming force majeure; provided that no cause or contingency shall relieve either party of its obligation to make payment for gas delivered by one party to the other hereunder.

ARTICLE XIV

Taxes

1. El Paso shall pay or cause to be paid all taxes and assessments imposed on El Paso with respect to the gas [fol. 1070-tab 5] delivered hereunder prior to its delivery to New Company, and New Company shall pay or cause to be paid all taxes and assessments imposed upon New Company with respect to the gas delivered hereunder after its receipt by New Company. Neither party shall be respon-

sible or liable for any taxes or other statutory charges levied or assessed against any of the facilities of the other party used for the purpose of carrying out the provisions of this Agreement.

2. New Company shall pay or cause to be paid all taxes and assessments imposed on New Company with respect to the gas delivered hereunder prior to its delivery to El Paso, and El Paso shall pay or cause to be paid all taxes and assessments imposed upon El Paso with respect to the gas delivered hereunder after its receipt by El Paso. Neither party shall be responsible or liable for any taxes or other statutory charges levied or assessed against any of the facilities of the other party used for the purpose of carrying out the provisions of this Agreement.

Article XV

Miscellaneous

1. *Non-Waiver of Future Default*:

No waiver by either party of any one or more defaults by the other in the performance of any of the provisions of this Agreement shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or of a different character.

[fol. 1071-tab 5] 2. *Notices*:

Except as herein otherwise provided, any notice, request, demand, statement or bill provided for in this Agreement, or any notice which either party may desire to give to the other, shall be in writing and shall be considered as fully delivered when mailed by registered mail to the post office address of either of the parties hereto, as the case may be, as follows:

El Paso Natural Gas Company
P. O. Box 1492
New Company
El Paso, Texas 79999

or at such other address as either party shall designate by formal written notice. Routine communications, including monthly statements and payments, shall be considered as duly delivered when mailed by either registered or ordinary mail.

3. *Examination of Records and Information for Billing and Dispatching*:

New Company and El Paso shall furnish each other, upon request, such meter charts and other information and data as are reasonably appropriate for the purposes of billing and dispatching gas hereunder, and each party shall have the right to examine at reasonable times the records, books and charts of the other party to the extent necessary to verify the accuracy of any statement, charge, computation or demand made hereunder pursuant to any of the provisions of this Agree- [fol. 1072-tab 5] ment. Each party shall have the right to audit the others books and records for the purposes stated in this section at any reasonable time.

4. *Compliance with Laws*:

This Agreement and the respective obligations of the parties hereunder are subject to present and future valid laws and valid orders, rules and regulations of duly constituted authorities having jurisdiction.

5. *Assignments*:

Neither party hereto shall assign this Agreement or any of its rights or obligations hereunder without the consent in writing of the other party; provided that either party may, without such consent, assign this Agreement and all its rights and obligations hereunder to any wholly owned subsidiary; but neither of such assignments shall operate to relieve either El Paso or New Company of its respective obligations to the other

hereunder. The provisions of this Section 5 shall not be construed to prohibit either party, without the consent of the other party, from mortgaging or pledging this Agreement or its rights hereunder to secure the payment of any bonds or other indebtedness of such party.

6. *Modification*:

There shall be no modification of the terms and provisions hereof except by the execution of a superseding agreement or superseding tariff sheets.

[fol. 1073-tab 5] 7. *State Laws*:

This Agreement shall be construed in accordance with the Laws of the State of Texas.

8. *Information for Forecasting*:

New Company and El Paso will make available to each other upon request such information and data as are reasonably necessary for the analysis and forecast of each party's gas requirements and the quantity of gas available therefor.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed by their proper officers duly authorized and their respective corporate seals to be affixed as of the day and year first above written.

ATTEST: EL PASO NATURAL GAS COMPANY

..... By .....

ATTEST: NEW COMPANY

..... By .....

[fol. 1074-tab 6] AGREEMENT

AGREEMENT by and between El Paso Natural Gas Company ("El Paso") and New Company, dated as of the ..... day of ....., 1964.

WITNESSETH

WHEREAS, an arrangement existed prior to the merger of Pacific Northwest Pipeline Corporation ("Pacific Northwest") into El Paso pursuant to the terms of the PL-1 Service Agreement by and between Pacific Northwest and Colorado Interstate Gas Company ("Interstate") and those of an Agreement dated January 23, 1956 to which El Paso, Pacific Northwest and Interstate were parties and under which two (2) agreements Interstate, among other matters, paid Pacific Northwest for the transportation and delivery of certain gas volumes to be tendered for that purpose in the future; and

WHEREAS, although the transportation and delivery of such volumes has been approved by the Federal Power Commission and has commenced, there still remains to be so transported and delivered approximately thirty (30) billion cubic feet of natural gas over approximately the next four (4) years (but in no event after December 31, 1968); and

WHEREAS, such transportation and delivery can only be accomplished through the facilities to be divested by El Paso to New Company.

NOW, THEREFORE, New Company agrees that, after divestiture, it will transport and deliver such gas volumes as remain to be transported and delivered, as aforesaid, in accordance with the provisions of the agreement by and between El Paso and Interstate on file with the Federal Power Commission respecting such gas volumes, as El Paso's Rate Schedule X-4, in reestablishment of and as contemplated by the aforesaid arrangement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ATTEST: EL PASO NATURAL GAS COMPANY

..... By.....

ATTEST: NEW COMPANY

..... By.....

"NEW COMPANY"

SUMMARY OF DEDICATED RESERVE AND B.T.U.

Source Field and Reservoir	1-1-64 Reserves, M^3cf	B.T.U.
CANADIAN		
Westcoast Transmission - Sumas	1,550.7	1,063
Westcoast Transmission - Kingsgate	918.0	1,097
	2,468.7	
NORTHWEST SYSTEM		
Big Piney Fields		
Big Piney (Almy - Mesa Verde)	116.0	
Big Piney (Frontier)	2,315.0	
	2,433.0	1,106
Piceance Creek Field	58.4	987
Bar X Gas Fields		
Bar X (Dakota)	2.5	
Bar X (Entrada)	0.9	
Bar X (Morrison)	0.8	
Miscellaneous Connections	0.2	
	4.4	966
Miscellaneous Fields	110.3	1,029
	2,606.1	
SAN JUAN SYSTEM		
Basin Dakota Field	237.8	1,095
Basin Pictured Cliffs Field	430.3	1,100
Blanco Mesaverde Field	1,845.4	1,078
Miscellaneous Fields	4.6	1,096
	2,518.1	
TOTAL	7,592.9	

$$\text{Reserve Life Index} = \frac{\text{1-1-64 Reserve}}{\text{1963 Production}} = \frac{7,592.9}{277.1} = 27.4 \text{ Years}$$

August 5, 1964

[fol. 1075-tab 7]

1865

"NEW COMPANY"
ESTIMATED GAS SUPPLY VS. REQUIREMENTS FOR YEARS 1965 THROUGH 1977
AVERAGE DAILY VOLUMES IN M^3C7 AT 14.73 PSIA AND 60° F.

		1964 1/	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	
GAS REQUIREMENTS														
1. TOTAL GAS REQUIREMENTS		764.8	870.0	885.4	923.1	879.0	868.4	850.8	850.8	850.9	851.0	851.1	851.3	85
GAS SUPPLY														
	Company	Plant or Field												
2.	Westcoast Transmission Company	Sumas (Canada)	273.1	273.1	273.1	273.1	273.1	303.5	303.5	303.5	303.5	303.5	303.5	303.5	30
3.	Westcoast Transmission Company	Kingsgate (Canada)	136.6	136.6	136.6	136.6	136.6	136.6	136.6	136.6	136.6	136.6	136.6	136.6	13
4.	Various Producers	Big Piney Fields	280.0	237.6	243.8	238.9	217.8	199.4	183.7	190.4	185.8	174.6	163.9	153.2	14
5.	Various Producers	Piceance Creek Field	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.6	8.8	7.6	
6.	Various Producers	Bar X Fields	2.7	2.3	1.7	1.4	1.0	0.9	0.8	0.5	0.3	0.2	0.1	0.1	
7.	Various Producers	Northwest Area Miscellaneous	19.9	20.2	20.5	19.6	18.7	18.0	17.3	16.6	16.3	16.0	15.7	15.5	1
8.	Various Producers	Basin Dakota Field	19.4	19.4	23.6	34.7	33.8	33.8	37.9	38.5	23.2	23.5	23.1	22.5	2
9.	Various Producers	Basin Pictured Cliffs Field	23.7	23.2	26.8	35.9	33.9	31.1	33.3	22.1	34.0	35.5	37.3	40.8	4
10.	Various Producers	Blanco Mesa Verde Field	79.9	81.9	96.4	136.9	124.0	116.8	127.2	121.9	140.7	151.1	161.7	171.2	17
11.	Various Producers	San Juan Area Miscellaneous	0.5	0.7	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.3	
12.	El Paso Natural Gas Company	Ignacio Plant	—	65.0	53.2	41.4	29.5	17.7	—	—	—	—	—	—	
13.	TOTAL SUPPLY		764.8	870.0	885.4	923.1	879.0	868.4	850.8	850.8	[illegible]	851.0	851.1	851.3	85

1/ Operated as Northwest Division of El Paso Natural Gas Company

Deliverability life = 14 years (1964 through 1977)

August 5, 1964

[fol. 1076-tab 8]

"NEW COMPANY"
ESTIMATED GAS SUPPLY VS. REQUIREMENTS FOR YEARS 1965 THROUGH 1977
AVERAGE DAILY VOLUMES IN M^3CF AT 14.73 PSIA AND 60° F.

S	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	GAS BALANCE Pipeline Gas Volumes, M^3/d Reserve 1-1-64	1964 Production	Reserve 1-1-65	Production Per Period	Reserve 1-1-78
0	885.4	923.1	879.0	868.4	850.8	850.8	850.9	851.0	851.1	851.3	851.4	851.5					
1	273.1	273.1	273.1	303.5	303.5	303.5	303.5	303.5	303.5	303.5	303.5	303.5	1,550.7	99.7	1,451.0	1,305.7	55.3
6	136.6	136.6	136.6	136.6	136.6	136.6	136.6	136.6	136.6	136.6	136.6	136.6	918.0	49.9	868.1	648.2	219.9
6	243.8	230.9	217.8	199.4	183.7	190.4	185.8	174.6	163.9	153.2	145.3	137.5	2,423.0	73.0	2,350.0	992.2	1,457.8
0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.6	8.8	7.6	6.5	5.8	88.4	3.7	84.7	43.2	11.5
3	1.7	1.4	1.0	0.9	0.8	0.5	0.3	0.2	0.1	0.1	0.1	—	4.4	1.0	3.4	3.4	—
2	20.5	19.6	18.7	18.0	17.3	16.8	16.3	16.0	15.7	15.5	15.3	15.2	110.3	7.3	103.0	82.2	20.8
4	23.6	34.7	33.8	33.8	37.9	38.5	23.2	23.5	23.1	22.5	22.4	22.5	237.8	7.9	230.8	131.8	98.8
2	26.8	35.9	32.9	31.1	33.3	32.1	34.0	35.5	37.3	40.8	44.4	47.5	420.3	8.3	422.0	186.4	235.6
9	95.4	130.9	124.6	116.8	127.2	121.9	140.7	151.1	161.7	171.2	177.0	182.7	1,845.4	29.1	1,816.3	650.6	1,165.7
7	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.2	4.6	0.2	4.4	2.3	2.1
0	53.2	41.4	29.5	17.7	—	—	—	—	—	—	—	—	75.5	—	75.5	75.5	—
0	885.4	923.1	879.0	868.4	850.8	850.8	850.9	851.0	851.1	851.3	851.4	851.5	7,868.4	279.2	7,389.2	4,100.7	3,288.5

[fol. 1077-tab 9] CLERK'S NOTE:

"TAB 9—The System Map of New Company, dated January 1964" is omitted from the record here as it appears on page 1471 supra.

[fol. 1078-tab 10]

NEW COMPANY PROPERTIES

Transmission System

The major transmission facilities which were acquired in the merger by El Paso and would be classified as the original Pacific Northwest system consisted of:

(A) Approximately 391 miles of 26-inch O.D. pipeline extending from Ignacio or Station #1 located in southwestern Colorado in a generally northerly direction through the states of Colorado, Utah and Wyoming to what is known as Compressor Station #6 in Sweetwater County, Wyoming.

(B) Approximately 671 miles of 22-inch O.D. pipeline extending from a point of connection with the terminus of the 26-inch O.D. pipeline mentioned in (A) above in a generally northwesterly direction through the states of Wyoming, Idaho and Oregon to a point of termination at what is known as Compressor Station #14 located adjacent to the Oregon-Washington border in Benton County, Washington.

(C) Approximately 420 miles of 26-inch O.D. pipeline extending westerly within the state of Washington to a point near Portland, Oregon and thence northerly to a point of termination on the US-Canadian border at what is known as Station #18.

Included as a part of this transmission system are thirteen mainline compression stations having a total installed horsepower of 85,500.

[fol. 1079-tab 10] In addition to the major transmission and compression facilities which have been outlined above, there are approximately 704 miles of lateral sales lines which range in size from 3½ inches through 20 inches in diameter and which are connected at various points on the 22-inch and 26-inch O.D. pipelines. In addition to these branch sales laterals, there are approximately 158 miles of various sized supply laterals ranging in size from 6⅝ inches to 30 inches in diameter. These supply laterals connect the Bar-X Field, the Piceance Field, Big Piney Field and Rangely Field with the transmission pipelines.

Since January 1, 1960 El Paso has added to the major transmission line facilities approximately 14½ miles of 30-inch O.D. line which connects the transmission system of Pacific Gas Transmission with El Paso's 16-inch lateral sales line near Spokane, Washington. In addition, several major branch line extensions have been added to the system, specifically:

(A) Approximately 96.7 miles of 16-inch O.D. pipeline extending from a point adjacent to Compressor Station #11 located in southwestern Idaho to a point of termination on the Idaho-Nevada border where it connects with Northern Nevada's Reno pipeline.

(B) The Grants Pass line which consists of approximately 253 miles of various sized pipeline ranging from 10¾ inches to 20 inches in diameter, commencing at the 26-inch mainline system near Portland, Oregon and extending in a southerly direction to a point of termination near the town of Grants Pass, located in the extreme southwestern corner of the state of Oregon.

[fol. 1080-tab 10] There have been additional branch lines or sales laterals constructed of miscellaneous sizes comprising a total length of approximately 83 miles of line having diameters of from 2⅜ inches through 10¾ inches.

A gas supply lateral approximately 9 miles in length of 12¾ inch O.D. pipe has been added connecting the 26-inch main transmission system in northeastern Utah with what is known as the Red Wash Field. An additional compressor station has been constructed and is located on the Grants Pass sales lateral mentioned above. This station, known as the Portland Station, consists of approximately 4,000 horsepower.

Field Facilities

(A) The properties acquired by El Paso in the San Juan Basin, including leases and wells, gathering system and processing plants, with improvements and additions thereto consist of the following:

The gathering system includes a total of 591 miles of various size pipelines, ranging from 2⅜ to 30 inches in diameter. This gathering system is connected to a total of 1,518 gross wells in which the net interest under both contract and leasehold is 919 wells. Of this net interest, 511 is under the leasehold agreements and 408 under gas purchase agreements. Insofar as acreage is concerned, the total [fol. 1081-tab 10] dedication is 394,500 net productive acres, of which 255,200 is under leasehold control and 139,300 under gas purchase contract. The Ignacio Processing Plant is located adjacent to Compressor Station #1. This plant is a conventional absorption oil plant with a design inlet capacity of approximately 300 Mcf per day, and there is a dehydration plant with like capacity. There are approximately 74 miles of 4½-inch liquids pipelines in operation in conjunction with this plant.

(B) In the Big Piney area located in Lincoln and Sublette Counties, Wyoming the gathering system consists of approximately 200 miles of pipe ranging in diameter from 2⅜ inches through 18 inches and is connected with the mainline transmission system

through approximately 102 miles of 16-inch and 30-inch pipe (looped). In the gathering area, there is a field compressor station, Station #23, located in Sublette County having 6 compressor units installed with a total horsepower available of 4,620. There are approximately 293 wells with a surface dedication of 91,990 acres connected to this gathering system with production being from the Almy, Mesa Verde, Muddy and Frontier Sands. The Opal Plant processes for the removal of liquid hydrocarbons from the gas available from this producing area, and has an inlet capacity in the range of 250 million [fol. 1082-tab 10] cubic feet per day. This is a standard type oil absorption plant.

(C) In the Bar-X Field located in Grand County, Utah and Mesa County, Colorado, the New Company will be connected to 11 wells producing from the Dakota, Entrada and Morrison formations with 4,192 surface acres dedicated. The gathering system has approximately 8 miles of pipeline ranging in size from 4½ inches to 6⅝ inches O.D. It is connected to the mainline system by 6 miles of 6⅝-inch pipeline and has 1 compressor unit installed in field service with a nominal rating of 440 horsepower.

(D) In the Piceance Creek area of Rio Blanco County, Colorado, the New Company will be connected to 16 wells producing from the Douglas Creek and Wasatch formations with a total of 29,170 acres dedicated. The gathering system consists of approximately 26 miles of various diameter pipeline from 2⅜ inches to 10¾ inches, and is connected to the 26-inch mainline system with approximately 48 miles of 10¾-inch diameter pipe. Station #24 which compresses field gas to mainline pressure has two compressor units installed having a total nominal rating of 660 horsepower.

(E) The Red Wash Field located in Uintah County, Utah will deliver gas to the new company at a central point and is connected to the 26-inch mainline by approximately 9 miles of 12¾-inch O.D. pipeline. Although the gas is delivered at a central point, [fol. 1083-tab 10] there are approximately 159 wells behind the delivery with a total dedicated acreage of 21,127 surface acres producing from the Green River formation.

(F) The Westwater Field in Grand County, Utah is also a central point delivery. Behind this delivery there are 14 wells with a surface dedication of 2,063 acres producing from the Dakota, Entrada and Morrison formations.

[fol. 1084-tab 11]

THE NEW COMPANY

Pro Forma Balance Sheet

December 31, 1964

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
Utility Plant		**Capital Stock**	
Utility Plant	$335,472,474	Common Stock and Premium	$ 63,264,006
Less: Accumulated Provision for Depreciation, Amortization and Depletion	71,832,461	Capital Stock Expense	63,264*
Net Utility Plant	$263,640,013	Total Capital Stock	$ 63,200,742
Other Property and Investments		**Long-term Debt**	
Nonutility Property, Less Accumulated Provision for Depreciation and Depletion	$ 1,833,429	First Mortgage Pipe Line Bonds	$145,000,000
Investments in Associated Companies	636,620	Sinking Fund Debentures	35,000,000
Other Investments	3,293,118	Notes Payable to Banks	5,000,000
		Other Long-term Debt	469,238
Total Other Property and Investments	$ 5,763,167	Total Long-term Debt	$185,469,238
Current and Accrued Assets		**Current and Accrued Liabilities**	
Cash	$ 4,486,127	Accounts Payable	$ 221,070
Working Funds	250	Other Accrued Taxes	12,441
Accounts Receivable	269,917		
Materials and Supplies	1,237,120		
Prepayments	3,359,139	Total Current and Accrued Liabilities	$ 233,511
Other Current Assets	187,606		
		Other Deferred Credits	$ 2,889,044
Total Current and Accrued Assets	$ 9,540,159		
		Reserve Created Pursuant to FPC Order in Docket No. G-13019	$ 10,000,000
Deferred Debits			
Excess Cost of Investment in Former Subsidiary Over Book Value of Net Assets Acquired Upon Dissolution	$ 2,535,091	**Contributions in Aid of Construction**	$ 572,177
Preliminary Survey and Investigation Charges	251,891		
Unamortized Debt Expense	594,000	**Accumulated Deferred Federal Tax on Income**	$ 20,065,382
Other Deferred Debits	105,773		
Total Deferred Debits	$ 3,486,755		
Total Assets and Other Debits	$282,430,094	Total Liabilities and Other Credits	$282,430,094

* Indicates Red Figure.

THE NEW COMPANY

Earnings Estimate

Calendar Year 1965

Operating Revenues	
Gas Sales	
Commercial and Industrial Sales	$ 5,887,930
Sales for Resale	93,862,157
Total Gas Sales	$ 99,750,087
Extracted Products Sales	5,825,155
Other Operating Revenues	2,032,856
Total Operating Revenues	$107,608,098
Expenses	
Other Gas Supply Expenses	$ 54,617,620
Natural Gas Production and Gathering Expenses	6,333,379
Gas Well Royalties	2,734,680
Exploration and Development Expenses	26,107
Transmission Expenses	4,763,890
Sales Expenses	315,672
Administrative and General Expenses and Customer Accounts Expenses	3,973,695
Subtotal	$ 72,765,043
Depreciation and Amortization	9,015,037
Depletion	915,503
Other Taxes	3,458,928
Total Expenses	$ 86,154,511
Other Income	64,454
Total Expenses and Other Income	$ 86,090,057
Other Deductions	
Interest	$ 9,079,805
Amortization of Debt Expense	45,496
Interest Charged to Construction - Credit	13,344
Miscellaneous Amortization	46,928
Miscellaneous Other Deductions	6,000
Total Other Deductions	$ 9,164,885
Total Expenses and Other Deductions	$ 95,254,942
Net Income before Provision for Federal Income Tax	$ 12,353,156
Provision for Federal Income Tax	
Provision for Current Year	$ 4,321,142
Provision for Deferred Federal Income Tax	859,340
Total Provision for Federal Income Tax	$ 5,180,482
Net Income	$ 7,172,674

[fol. 1085-tab 12]

1874

New Company
Cash Flow Statement
Calendar Year 1965

Cash Balance at Beginning of Year	$ 4,486,127
Sources of Funds	
1. Total Operating Revenues	$107,608,098
2. Realization on Investments	1,290,419
3. Realization on Interest Receivable	63,613
4. Interest Received and Other Miscellaneous Income, Net of Non-Cash Items	75,403
Total Funds Provided	$109,037,533
Total Funds Available	$113,523,660
Requirements	
1. Total Operating and Maintenance Expenses, Net of Non-Cash Outlay Expenses and Recoupment of Prepaid Gas Purchases	$ 71,848,839
2. Construction Requirements	1,895,400
3. Other Taxes	2,047,328
4. Federal Income Tax	
a. Portion of Current Year's Tax Payable during Current Year 58%	2,448,262
5. Interest Payments - Net After Deducting Interest Charged to Construction	7,043,928
6. Funded Debt Sinking Fund Requirements	9,305,329
7. Retirement of Notes Payable to Banks	1,000,000
8. Retirement of Other Liabilities	120,000
9. Retirement of Production Payment	156,540
10. Contributions, etc.	6,000
Total Funds Required	$ 95,871,626
Cash Balance at End of Year	$ 17,652,034

NOTE: No Provision Has Been Made in the Above Statement for the Payment of Dividends as This Decision Will Be Resolved By The Board of Directors of New Company.

[fol. 1086-tab 13]

[fol. 1087]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT B

EL PASO NATURAL GAS COMPANY

COMMON STOCK

RECORD DATE—April 24, 1964

STOCKHOLDER BREAKDOWN

	No. of Holders
1 — 99	59,589
100 —	25,520
101 — 200	17,771
Total	102,880

[fol. 1088]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT C

EL PASO NATURAL GAS COMPANY

Common Stock

Record Date—April 24, 1964

List of Holders of 100,000 Shares Or More

Individual Holders

Name and Address	*Shares Held*
Kenneth S. Adams, Jr. P. O. Box 844 Houston 1, Texas	141,342
Creslenn Oil Company 1111 Mercantile Dallas Building Dallas 1, Texas	114,544

Name and Address	*Shares Held*
Mrs. Bess N. Fish 3009 Chevy Chase Houston 19, Texas	126,004
Ray C. Fish c/o Bank of the Southwest Trust Department P. O. Box 2629 Houston 1, Texas	153,293
Alfred C. Glassell, Jr. Room 2300 First City National Bank Building Houston 2, Texas	229,429
Paul Kayser 20th Floor 1006 Main Street Houston, Texas 77002	120,116
R. D. Ricketts 796 M & M Building Houston, Texas	118,700
Sub-total	1,003,428

[fol. 1089]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT D

EL PASO NATURAL GAS COMPANY

Brokers and Nominees

Name and Address	*Shares Held*
Bache & Co. 36 Wall Street New York, New York	135,566

Name and Address	*Shares Held*
Francis I. Du Pont & Co. 1 Wall Street New York 5, New York	135,208
Harris Upham & Co. 120 Broadway New York 5, New York	222,419
E. F. Hutton & Co., Inc. 61 Broadway New York 6, New York	116,605
Merrill Lynch, Pierce, Fenner & Smith 70 Pine Street New York 5, New York	741,738
Reynolds & Co., 120 Broadway New York 5, New York	120,711
Walston & Co., Inc. Lock Box 1809 C S S New York, New York 10008	110,648
Weber & Co. c/o First National City Bank 20 Exchange Place New York 15, New York	113,863
White Weld & Co. P. O. Box 65 Bowling Green Station New York 4, New York	143,223
Sub-total	1,839,981
TOTAL	2,843,409
Total Number of Common Shares Outstanding:	22,910,079
Total Number of Common Stockholders:	116,813

[fol. 1090]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT E

Number of Shares of
El Paso Natural Gas Company Stock
Traded on the
New York Stock Exchange
Midwest Stock Exchange
Pacific Coast Stock Exchange

For Years 1961, 1962, 1963 and first ten months of 1964:

Total Shares Traded	16,499,302
Average for the 46 months	358,680
Annual average for 1961, 1962 and 1963	4,597,118
Annual average for 1961, 1962, 1963 and the ten months of 1964	4,304,160
Lowest month trades:	
New York Stock Exchange— April, 1963	104,400
Largest month trades:	
New York Stock Exchange— December, 1962	661,200

Source: New York Stock Exchange, Bank and Quotation Records, William A. Dana Company

Midwest Exchange and Pacific Coast Exchange—their own records.

NOTE: There has never been a day that there was never a trade—(El Paso's personnel personal recollection)

• • •

June through November, 1964:

Number of shares transferred	3,622,213
Monthly average	603,702

Source: Company's records maintained by the Chase Bank.

[fol. 1091]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT F

UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

CENTRAL DIVISION

Civil Action No. 143-57

Entered: .....

UNITED STATES OF AMERICA,

Plaintiff,

vs.

EL PASO NATURAL GAS COMPANY and PACIFIC NORTHWEST PIPELINE CORPORATION,

Defendants.

INTERLOCUTORY DECREE FOR DIVESTITURE

Plaintiff filed its complaint herein on July 22, 1957, and its amendment thereto on October 31, 1960. Defendants appeared and filed their answer on November 12, 1957. The action was tried by this Court and on November 20, 1962, a judgment was entered dismissing the action. Plaintiff appealed from the judgment. On April 6, 1964, the Supreme Court of the United States reversed the judgment of this Court and directed it to order divestiture without delay.

The mandate of the Supreme Court of the United States was filed in this Court on May 5, 1964.

NOW, THEREFORE, it is hereby ORDERED, ADJUDGED AND DECREED:

I.

As used in this Interlocutory Decree:

(A) "El Paso" shall mean the Defendant El Paso Natural Gas Company;

(B) "Pacific Northwest" shall mean the Defendant Pacific Northwest Pipeline Corporation;

[fol. 1092] (C) "Person" shall mean an individual, partnership, firm, corporation, association or other legal or business entity;

(D) "Immediate family" shall mean, with reference to any person,, the spouse, descendants, ascendants and/or brothers and sisters of such person;

(E) "Natural gas transmission properties" shall mean properties used in the transportation of natural gas by pipeline (other than production, gathering and processing).

II.

In accordance with the mandate of the Supreme Court, this Court finds the acquisition by El Paso of the capital stock and assets of Pacific Northwest is a violation of Section 7 of the Act of Congress of October 15, 1914, entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," commonly known as the Clayton Act, as amended.

III.

This Decree is binding upon the Defendants and their subsidiaries, successors and assigns and to each of their officers, directors, agents, employees and to all persons in

active concert or participation with them who shall have received actual notice of this Decree by personal service or otherwise.

IV.

El Paso has filed with this Court its Proposal for Divestiture dated October 13, 1964, containing a plan of divestiture, hereafter referred to as the "Plan of Divestiture". After due hearings thereon, this Court finds that the Plan of Divestiture is a necessary, desirable and appropriate method for compliance with the mandate of the Supreme Court of the United States in this matter, and the Plan of Divestiture is accordingly approved by this Court. El Paso is ordered and directed to commence effectuating the Plan of Divestiture in the following manner:

[fol. 1093] (A) El Paso is ordered and directed to effect promptly the organization and creation of a corporation, hereinafter called "New Company", and as soon as practicable to employ, after notice to the Plaintiff and with the approval of this Court, a person well-qualified in the management of a natural gas company to serve as chief executive officer of New Company. New Company shall submit to the jurisdiction of this Court as a party defendant and shall file with this Court its agreement to that effect and to be bound by such orders as may be entered herein;

(B) An application on behalf of New Company shall be filed with the Federal Power Commission at the earliest practicable date requesting the issuance of a certificate of public convenience and necessity authorizing New Company to acquire, own and operate the properties to be received from El Paso. New Company also shall file with the Federal Power Commission, concurrently with the transfer of assets and liabilities authorized and ordered by subsection (C) of this Section IV, the same tariffs, rates, rules, regulations and other conditions of service then in effect and applicable to the service to be rendered by New Company, including the agreement of New Company to comply with

the provisions of the rate settlement agreement approved by the Federal Power Commission on January 15, 1964.

(C) Upon securing the necessary certificates, authorizations, orders, consents and approvals hereinbefore referred to, El Paso shall promptly divest itself by transfer to New Company of the properties, assets and related liabilities set forth in the Plan of Divestiture. Upon such transfer, New Company shall assume such of El Paso's present bonds and debentures, and shall issue its own bonds and debentures in satisfaction of such obligation to the holders of the bonds and debentures of El Paso, in the amounts and upon the terms provided in the Plan of Divestiture, and shall issue to El Paso all of its capital stock;

[fol. 1094] (D) Within three years after the transfer of the assets to New Company as herein provided, El Paso shall, consistent with the provisions of Sections V and VI of this Decree, divest itself of all of its legal and equitable right, title and interest in and to said shares of stock in New Company by one or a combination of the following methods:

(1) sale of said shares of stock to the common stockholders of El Paso through issuance of rights to purchase said stock; or

(2) direct single or multiple distribution of said shares to El Paso's common stockholders;

(E) Within one year after entry of this Decree El Paso shall fully and completely divest itself of all legal and equitable right, title and interest in and to the 1,157,125 shares of stock in Westcoast Transmission Company, Limited, by the sale thereof to such person or persons as the Court may approve after notice to Plaintiff;

(F) El Paso shall take such other and further action as shall be necessary and appropriate for the consummation of the Plan of Divestiture;

(G) Prior to the entry of the final decree, El Paso shall report from time to time to this Court, at intervals of not more than ..... months, with respect to its progress in complying with the provisions of this Interlocutory Decree.

V.

Immediately upon commencement of service by New Company, El Paso shall transfer all shares of stock in New Company to a trustee, first approved by this Court, with El Paso's irrevocable instructions to said trustee to exercise [fol. 1095] all voting rights with respect to said shares in accordance with its sole discretion subject only to such instructions as this Court may issue after first hearing the Plaintiff and the Defendants. Such shares of stock in New Company shall be released by said trustee only in accordance with divestiture by El Paso of legal and equitable interest therein pursuant to the decree of this Court.

VI.

Defendant El Paso is enjoined and restrained from:

(A) Except as contemplated in this Decree, acquiring any capital stock or financial interest whatsoever in New Company or any assets thereof;

(B) For ten (10) years after the date of entry of this Decree, acquiring or holding after such acquisition, directly or indirectly, any natural gas transmission properties in the United States, or any of the capital stock, of any person engaged in the transmission of natural gas in the United States (other than purchases of the capital stock of any such person, except New Company, on behalf of the Employees Retirement Income Plan and/or the Employees' Savings Plan of El Paso resulting in holding by said Plans of less than one-half of one per centum (½ of 1%) of the capital stock of such person) except with the approval of the Plaintiff herein or after establishing to the satisfaction of

this Court, upon notice to the Plaintiff, that the effect of such acquisition will not be to substantially lessen competition or tend to create a monopoly in any line of commerce in any section of the country;

(C) Having any person as an officer or director who is at the same time:

(1) an officer, director or employee of New Company;

[fol. 1096] (2) except as provided in subsection (D) of this Section VI, the owner of any capital stock of New Company or a person a member of whose immediate family is the owner of more than one-tenth of one per centum (1/10 of 1%) of the capital stock of New Company;

(D) Selling, transferring, issuing or in any manner distributing any of the capital stock of New Company to any person who is at the time an officer or director of El Paso or to any person who at the time owns beneficially more than one-half of one per centum (½ of 1%) of the capital stock of El Paso or to any person who is a member of the immediate family of the foregoing or to the Trustee or Trustees of the Employees Retirement Income Plan and the Employees' Savings Plan of El Paso, provided, however, the stock any such person would otherwise be entitled to receive shall be delivered to and held by a trustee, so long as such ineligibility exists, for the account of such person under an agreement of trust irrevocably providing that such shares shall be voted by the trustee only in accordance with instructions received by the trustee in writing from the Board of Directors of New Company, and provided that the trustee at the end of ten (10) years, or earlier at the request of the owner, shall dispose of the legal and equitable interest of any person who is an officer or director of El Paso, and thereupon account to such person.

(E) Employing, during a period of five (5) years from the date New Company shall first start service, any employee of New Company without first obtaining the consent in writing of New Company.

[fol. 1097] VII.

For the purpose of determining or securing compliance with this Decree, duly authorized representatives of the Department of Justice, shall, on written request of the Attorney General or the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to either El Paso or the New Company, made to its principal office, be permitted, subject to any legally recognized privilege and with the right of said Defendant to have counsel present:

(A) Reasonable access, during office hours of such Defendant, to all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of such Defendant, relating to any matters contained in this Decree; and

(B) Subject to the reasonable convenience of such Defendant and without restraint or interference from it, to interview officers or employees of such defendant, who may have counsel present, regarding any matters contained in this Decree;

Upon written request, such Defendant shall submit such reports in writing with respect to matters contained in this Decree as may from time to time be necessary to the enforcement of this Decree.

VIII.

Jurisdiction is retained by this Court for the purpose of enabling any of the parties to this Decree to apply to this Court at any time for such further orders and directions as

may be necessary or appropriate for the construction or carrying out of the orders of this Court, for the amendment thereof, for the enforcement of compliance therewith, and for the punishment of violations thereof.

Dated: .....

.....

United States District Judge

[fol. 1098]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT G

PROSPECTUS

EL PASO NATURAL GAS COMPANY

* * * * * * *

The date of this Prospectus is January 8, 1957.

* * * * * * *

[fol. 1099] *Anti-Trust Opinion.*

Messrs. Sullivan & Cromwell, who are advising the Company with respect to the Exchange Offer, have rendered an opinion to the Company with respect to the application of [fol. 1100] the anti-trust laws to the acquisition by the Company of 80% or more of the Common Stock of Pacific of which the following is a summary: The opinion first summarizes the operations of the Company and Pacific and states it to be counsel's understanding that the purpose of the proposed transaction is to bring about the most effective and economic supply structure for servicing the needs of natural gas consumers. After reviewing possible problem areas, the extensive regulation by the Federal Power Commission of the activities of and rates charged by both companies, the fact that statutory immunity from Section 7 of the Clayton Act is not available, and the importance of the conservationist effects of the transaction, the opinion

notes that the antitrust questions raised have no controlling precedent and are original, significant and difficult ones, which may require extensive hearings, proceedings and examination and cross-examination of witnesses and experts to resolve. Counsel concludes that while the matter is not entirely free from doubt, it is their opinion that the proposed transaction is not in violation of the anti-trust laws presently in effect as so far construed by the courts. The opinion states that it is rendered on the assumption that after full investigation, the purpose of the transaction would continue to prove to be as previously indicated, and that it is qualified by the fact that problems under Section 7 cannot be evaluated definitively because of the paucity of judicial decisions interpreting the statute.

• • • • • • •

[fol. 1101] GAS SUPPLY

The Company's gas supply is comprised of residue gas obtained from gasoline extraction plants principally in the oil and gas-distillate fields of the Permian Basin and "dry" or formation gas from gas fields in the Permian Basin, in the Texas Panhandle and in the San Juan Basin. The availability of residue gas depends upon the rate of production of crude oil, and the supply thereof tends to be at its maximum during the summer months when the demands of the Company's markets normally are lowest. The Company is able to vary to some extent the volume of purchases from dry gas wells, generally reducing the dry gas take to a minimum during the summer months and drawing more heavily on such wells in winter periods of peak demand, or when the volumes of residue gas are curtailed by adverse weather conditions or plant breakdown.

The Company continues to add to the volumes of "dry" or formation gas which it owns or controls and upon which it may draw as needed, in order not only to augment its over-all gas supply but also to provide greater flexibility in

dealing with the practical problems of handling the large but fluctuating volumes of "residue gas" that the Company has undertaken to market.

The acquisition of the stock of Pacific is of particular importance to the Company because of the substantial reserves of dry gas and contracts for dry gas held by Pacific.

The acquisition of additional reserves of dry gas should place the Company in a more favorable position in its negotiations for the purchase of gas owned and produced by others. The amount of residue gas taken by the Company in recent years has been as follows:

Year	Residue Gas Billion Cubic Feet	% of Total Requirements for Period*
1951	277	67.84%
1952	291	59.99
1953	373	63.93
1954	403	58.47
1955	436	57.48

* After completion of the 450 million cubic feet per day expansion program it is estimated that this ratio will be roughly fifty-fifty between dry and residue gas.

[fol. 1102] The following tabulation sets forth certain detailed information as to the various sources of gas supply of the Company and its subsidiaries (exclusive of gas withdrawn from storage and gas received in exchange) at December 31, 1955 and for the year then ended:

Sources and Character of Gas	Aggregate Volume Taken During 1955 (In MMCF)	Percentage of Total Requirements for Period	Number of Fields From Which Derived at 12-31-55	Number of Active Contracts in Effect at 12-31-55
Permian Basin				
Residue Gas purchased	347,056	44.94%	109	151
Residue Gas taken from the Company's own extraction plants	88,985	11.52%	19	212
Dry or Formation Gas purchased, primarily in Lea County, New Mexico	123,385	15.98%	19	168
Gas produced by the Company	3,252	.42%	3	—
Texas Panhandle (Panhandle and South Hugoton Gas Fields)				
Dry or Formation Gas purchased	37,505	4.86%	2	2
San Juan Basin				
Dry or Formation Gas purchased	77,411	10.02%	24	259
Dry or Formation Gas produced by the Company	80,675	10.45%	15	—
Salt Lake Division				
Dry or Formation Gas purchased by Utah Natural Gas Company	13,628	1.76%	1	4
Dry or Formation Gas produced by the Company	360	.05%	1	—
	772,257	100.00%	193	796

The prices for gas payable by the Company under its purchase contracts vary from contract to contract, depending primarily upon the location of the plant or field from which the gas is taken, upon the character or quality of the gas and the pressure at which it is delivered and upon whether the gas is delivered in large volumes at a single point or is taken by the Company from the individual wells or from field separators.

During 1955, the prices paid by the Company for residue gas purchased in the Permian Basin ranged from a low of 5.547¢ to 7.733¢ per Mcf for low pressure gas requiring dehydration and treatment for the removal of acid gas content, up to a general level of approximately 10.59¢ per Mcf for high pressure treated and dehydrated gas which would move directly into the Company's transmission lines without further processing. The price for "dry" or formation gas purchased in the Texas Panhandle was approximately 9.966¢ per Mcf, and the prices for "dry" or formation gas taken from gas wells in the Permian Basin generally ranged from 9.457¢ to 10.564¢ per Mcf, depending primarily on the delivery pressure of the gas. It is estimated that, for the year 1956, the average price of gas purchased in the Permian Basin and Texas Panhandle areas was approximately 8.928¢ per Mcf, as compared with an average price of 8.959¢ per Mcf paid during 1955. In the San Juan Basin, the average price paid by the Company for gas purchased, in almost all cases taken at the wellhead or from field separators, was about 11.487¢ per Mcf in 1955 and it is estimated that approximately the same price was paid during 1956.

All of the Company's gas purchase contracts provide for increases at stated intervals in the prices, payable by the Company for gas taken thereunder. In general, such intervals are of five years' duration and the increases are of one cent per Mcf for each of the first two or three of such intervals, with provision that thereafter the prices are to be determined by agreement or arbitration, but are not

to be less than certain specified minimums. By far the greater number of the Company's purchase contracts contain "favored nation" clauses which have the effect of requiring the Company to raise the prices payable thereunder to equal any higher prices paid by the Company [fol. 1103] for gas of like character, under similar conditions and in the same general area. In addition, the purchase contracts with one producer, under which the Company obtained approximately 19.4% of its total gas supply during 1955, contain provisions for increases in the price of gas, under certain conditions, in the event of increases in the level of prices received by the Company from its customers. This producer on September 11, 1956 filed for a rate increase which would increase the Company's cost of purchased gas by approximately $1,800,000 annually. This application was based on the Company's having allegedly received a rate increase in the rate filing which the Company presently has pending before the Federal Power Commission and the application alleged further that this producer was earning less than a fair return on the gas being sold to the Company. The Commission suspended the operation and collection of increased rates by this producer under its filing until March 11, 1957 and until such further time as it might be made effective in the manner prescribed by the Natural Gas Act. In certain recent decisions the Federal Power Commission has refused to permit price increases based on contractual provisions of this character to go into effect. On April 4, 1956, the Commission proposed a rule to become effective July 1, 1956 (to date the Commission has not issued such a rule although it is still under consideration) which would bar producers from filing contracts containing provision for price adjustments by reason of (a) escalator clauses based on price indices or changes in the price received by the purchaser upon resale, or (b) the payment or offer of payment of higher prices by the purchaser or other purchasers in the same or other producers' areas to the same or other sellers. None of such increases can presently be put into effect

without the approval of the Federal Power Commission. It is impossible to say what regulations or policy the Federal Power Commission may ultimately adopt, or what the effect thereof may be on the future operation of "favored nation" and other price escalation clauses contained in the Company's gas purchase contracts.

Most of the Company's principal gas purchase contracts expire during the period from 1965 to 1973, although some such contracts are for longer terms or for the life of the particular plant or field, and contain some or all of the following provisions: for the sharing between buyer and seller on various bases of new or increased taxes on the gas; for the reduction of the amount of gas the Company is required to take or the seller to furnish if the quantities supplied or taken are reduced, for causes not excused, below those contemplated by the contract; for the make-up, over specified periods, of deficiencies in average daily purchases by the Company; and provisions as to force majeure, as to the effect of action by regulatory authorities and as to arbitration of various matters. The seller's obligations are generally subject to the availability of gas from specified sources and to the reservation of gas for operation, development, royalty and other purposes.

In addition to the gas obtained under its purchase contracts, the Company produces substantial amounts of gas from acreage in the San Juan Basin area under which it owns or controls gas rights (in some instances only in respect of certain zones or formations) and is actively engaged in increasing the amount of such production. Substantial portions of the gas rights owned or controlled by the Company in the San Juan Basin were acquired pursuant to contracts which obligate the Company, at its own expense, to drill wells to develop the acreage, subject, in most instances, to the Company's right to turn back to the transferor units of acreage which development has indicated will not be commercially productive of gas. Such agreements generally obligate the Company to take minimum average volumes of gas and to pay royalties, in

addition to the normal landowners royalty and small overridding royalties. The amount of leasehold reserves subject to unusual overriding royalty payments totals 3,702.9 billion cubic feet of natural gas and the average overriding royalty to which this excess royalty gas is subject was 6.017 cents per Mcf for the twelve months ended July 31, 1956. At July 1, 1956 the Company estimates that the net amount of natural gas liquids and the crude oil reserves which it owned under lease were 25,400,000 barrels and 3,600,000 barrels, respectively. The reserves of natural gas liquids under lease include 17,100,000 barrels which are subject to overriding royalty payments obligating the Company to pay over to the holders thereof approximately one-third of the gross liquids produced.

[fol. 1104]
Report on Gas Reserves

BROKAW, DIXON & McKEE

Engineers and Geologists

120 Broadway, New York

Zone 5

Albert D. Brokaw
A. Faison Dixon
H. Harper McKee

December 4, 1956

El Paso Natural Gas Company
El Paso, Texas

Dears Sirs:

We have made periodic reports since 1928 on the gas reserves available to El Paso Natural Gas Company's system, the latest of which prior to this report was dated July 18, 1956. Since then we have again reviewed the situation regarding the gas supply available to meet the Com-

pany's requirements, including the increased delivery of 150 million cubic feet per day applied for in Federal Power Commission (the "Commission") Docket G-10499. The hearing requesting this increase has been completed before the Commission and this matter is now pending approval by the Commission.*

The gas supply of the Company is now derived, including the requirements requested in Commission Docket G-10499, from two general areas. The first such area is the Permian Basin of West Texas and Lea County, New Mexico, and the Panhandle of Texas. The other area is the San Juan Basin of northwestern New Mexico and southwestern Colorado. The gas supply available to the Company in each of these areas will be discussed separately in this report.

In addition to the two major areas, your Company is to receive on an exchange basis 50 million cubic feet per day of Canadian gas, produced in the Peace River area of British Columbia and northwestern Alberta. You have advised us that you have entered into a long term contract with Pacific Northwest Pipeline Corporation ("Pacific"), which is currently constructing a pipe line system from the San Juan Basin area to the Pacific Northwest area, pursuant to which you will purchase 50 million cubic feet per day of Canadian gas from Pacific at a point in the State of Washington just south of the United States-Canadian border and will immediately redeliver such gas to Pacific in exchange for a like volume of gas to be furnished to you by that corporation at a point in the San Juan Basin in southwestern Colorado.

All volumes of gas stated in this report are calculated on a pressure base of 14.73 pounds per square inch absolute and, unless otherwise indicated, estimates of gas reserves as set forth herein are computed as of July 1, 1956.

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* The Commission approved this increased delivery on December 19, 1956. See "Expansion Program" herein.

The term "gas reserves" mean proven gas reserves as defined by drilled wells. In preparing this report, we have used and relied upon statements furnished by the Company as to ownership of gas leasehold rights and as to the terms of gas purchase contracts held.

GAS SUPPLY FOR THE PERMIAN BASIN SYSTEM

In the Permian Basin the gas comes from two types of wells. Casinghead gas comes from oil wells where the gas is produced along with oil, and dry gas comes from wells which produce only gas, spoken of as "dry gas wells" or "natural gas wells".

Casinghead gas from the oil wells is taken to gasoline extraction plants where the gasoline and other liquefied hydrocarbons are extracted. A considerable amount of this gas is consumed in the plants themselves; some is returned to the leases for gas-lift or lease operations; and the rest, usually spoken of as "residue gas", is available for sale. Formerly, the major part of the residue gas was vented [fol. 1105] and burned. Now only a comparatively minor part of this gas is wasted, and the regulatory commissions endeavor by restrictive regulations to hold this waste to a minimum.

In the Permian Basin area, the oil wells supplying casinghead gas for processing in the extraction plants range in depths from 3,000 to 12,000 feet and in geological age from Permian to Cambrian.

Seventy gasoline extraction plants are now operating in the vicinity of your pipe line system in the Permian Basin and 47 of these are connected to your system. 5 of these 47 plants are the Company's own plants and the Company is currently taking gas under purchase contracts from the other 42 plants. 23,150 oil wells producing from over 100 major reservoirs are connected to the plants which are now delivering residue gas to your Company. 2,681 of these oil wells are connected to your own plants. In addition to

the 5 presently owned plants, the Company has received authorization from the Commission for, and has under construction now, a plant in Nolan County, Texas with a capacity of 20 million cubic feet per day. Authorization has also been granted for the construction of facilities to gather another 20 million cubic feet per day in Andrews County, Texas to be processed in a plant presently connected to its system. The Company has received approval by the Commission for the acquisition of a plant in Upton County, Texas which is presently connected to your system handling only a small amount of gas daily. This plant has a capacity of 16 million cubic feet per day. This will bring the total of Company owned plants to seven in the Permian Basin.

We estimate that the raw gas reserves in the fields now connected to the plants which serve your Company are 14,198 billion cubic feet, that 10,782 billion cubic feet of this gas will be produced through 1974 and treated in the plants, and that your Company will receive into the pipeline system 7,692 billion cubic feet of this gas through 1974.

Your Company has been taking gas since 1929 from high pressure dry gas wells in southeastern Lea County, New Mexico, and now has 570 such wells connected. The producing horizons are of Permian age at depths of 3,000 to 6,000 feet. Our estimate of the total recoverable dry gas reserve dedicated to your system in this area is 2,167 billion cubic feet and the total volume to be taken through 1974 is 1,557 billion cubic feet. In this area at a depth of 11,000 to 12,000 feet a gas field is being developed in the Devonian formation. This is now connected with your system, but not as yet included in our estimate of reserves.

Your Permian Basin pipeline system derives a portion of its supply from dry gas fields in the Panhandle of Texas. Part of this supply is received under a gas purchase contract with Phillips Petroleum Company. The other part will be provided from the Company's recently acquired

leases in this area. Under the terms of the gas purchase contract, the Company may vary the daily volumes it takes from 51 to 152 million cubic feet per day but is to average at least 101 million cubic feet per day until 1960, after which the contract volume becomes 182 million cubic feet per day. The total amount expected to be taken under this contract through 1974 is 1,023 billion cubic feet. We estimate the recoverable gas reserves in the fields from which this gas is derived at 3,656 billion cubic feet.

The principal difference between our estimate of April 1, 1956 and our estimate of July 1, 1956 for the Permian Basin system is the addition of the recently acquired leasehold in the Panhandle field of 83,715 proved acres on which there are now 82 completed wells with an estimated proved reserve of 526 billion cubic feet. The Company plans to fully develop the acreage during the next four years. It is anticipated that gas deliveries will begin in 1957 and through 1974, you plan to produce 410 billion cubic feet of gas, leaving an available reserve of 116 billion cubic feet. In addition to the dry gas from the above sources, our estimate of the dry gas to be received from miscellaneous gas wells in the southern part of the Permian Basin is 176 billion cubic feet through 1974.

The rate of production of residue gas depends directly upon the amount of oil produced. Oil production is prorated by the Railroad Commission of Texas and the New [fol. 1106] Mexico Oil Conservation Commission according to the market demand. Therefore, as the market demand for oil fluctuates, the amount of casinghead gas available to the Company varies.

The flow of gas from the dry gas wells can be varied within wide limits. The combined delivery capacity of the dry gas wells connected to your system in Lea County, New Mexico is approximately 2,300 million cubic feet per day. Daily variations in the supply of residue gas may be taken

care of by controlling the flow of gas from these natural gas wells.

The average daily amount of dry gas taken into your system in the Permian Basin from the Lea County dry gas reserves during the six months ending July 1, 1956 was 375 million cubic feet. The maximum and minimum daily deliveries of such gas during the six months ending July 1, 1956 were 681 million cubic feet on February 4, 1956, and 136 million cubic feet on April 22, 1956. During the six months period in the Permian Basin, residue gas supplied 71% of the total supply and dry gas 29%. For your system as a whole, residue gas supplied 51% and dry gas 49% during the period. After completion of the increase in your system capacity of 150 million cubic feet per day under the expansion program sought in Docket G-10499, the ratio will be roughly fifty-fifty between dry and residue gas.

The Company's underground gas storage facilities in Lea County, New Mexico, have a capacity of 17 billion cubic feet. A maximum of 88 million cubic feet of gas has been injected and 75 million cubic feet has been withdrawn in one day.

The Company's facilities in the Permian Basin and San Juan area are connected by a large diameter pipeline and, although a large area is covered, the facilities are an integrated system so that it is practicable for one area to augment the gas supply of the other or to utilize excess gas from one area to supplemental deliveries from the other.

By varying the amount of gas from the Lea County dry gas wells and utilizing the storage facilities and increasing or decreasing the amount taken from the San Juan Basin area, it is possible to make up deficiencies and use any surplus gas due to any foreseeable variation in the supply of residue gas.

You have estimated the total firm requirements of your Permian Basin system, including the additional 100 mil-

lion cubic feet per day to be taken from that area under the new 150 million cubic feet per day project, for the period from July 1, 1956 to January 1, 1975 to be 10,858 billion cubic feet. We estimate that this gas can be supplied from July 1, 1956 to January 1, 1975 as follows:

	Amounts to be Supplied 7-1-56—1-1-75 Billion Cubic Feet	Reserves as of 7-1-56 Billion Cubic Feet	Reserves at End of 1974 Billion Cubic Feet
Residue gas	7,692*	14,198**	3,416**
Lea County dry gas	1,557	2,167	610
Panhandle dry gas from Phillips contract	1,023	3,656***	1,510***
EPNG Panhandle Leasehold	410	526	116
Miscellaneous dry gas	176	195	19
	10,858	20,742	5,671

The Permian Basin has been for a long time and still is an area of intensified oil and gas exploration and development. New discoveries and extensions to existing fields are adding continually to the known oil and gas reserves. In our opinion, the development of recent and future discoveries and the connection of additional gasoline plants will add substantially to the gas reserves now available and committed to the Company's system in this area.

Gas Reserve in the San Juan Basin System

The gas supply for this system is obtained from dry gas fields in the San Juan Basin from lands which the Company controls under leaseholds, operating and farmout agree- [fol. 1107] ments, and by purchase from other operators under long term purchase contracts. The system is at present connected to eleven major gas fields, namely Blanco,

* Residue gas from gasoline extraction plants.
** Raw casinghead gas from wells.
*** Others have contracts for some of this gas.

Aztec, Ballard, East Blanco, South Blanco, Fulcher Kutz, West Kutz, Tapacito, Barker Creek Dome, Ignacio, and West Ignacio. In addition, there are nine minor Dakota fields, and three small Fruitland fields, as well as small amounts of casinghead gas contracted from the Tocito oil field. The Blanco field comprises more than a million acres within its productive limits and has the largest proven gas reserves in the Basin. The producing zones of all of these fields are of Cretaceous age except the Barker Creek Dome field which produces from the Paradox of Pennsylvanian age.

In the past two years several new Pictured Cliffs fields have been discovered and the extensions of the existing fields have been considerable. As a result of these developments, it has been established that a considerable part of the proven area of the Mesaverde now controlled by your Company is also considered proven in the Pictured Cliffs horizon and additional areas will become productive by recompleting the present wells in shallower formations in the future.

Our estimates of the acreage dedicated to the Company's system which has been proven to be productive from the various producing formations in the San Juan Basin and the recoverable gas reserves underlying this acreage, depth of wells, and the number of wells connected to your system as of July 1, 1956 are as follows:

Formation	Average Depth of Pay (in Feet)	Number of Wells Connected	Proven Acres	Reserves in Billion Cubic Feet
Mesaverde	5000	810	509,693	4,537
Pictured Cliffs	1800–3200 3900–4000	799	366,192	2,763
Paradox	8400–9100	8	12,261	128
Fruitland	1000–2500	64	27,438	148
Dakota	7000–8000	17	14,908	169
Tocito	6600	15	2,900	22
		1,713	933,392	7,767

The Company owns approximately two-thirds of this reserve subject to varying royalty payments.

The expansion and development of the Company's dedicated acreage is continuing. Since the date as of which reserves were stated in our last report (April 1, 1956) to July 1, 1956 the number of wells connected has increased from 1,586 to 1,713; the estimated proved area in all formations has increased from 791,133 acres to 933,392 areas and the estimate of reserves from 6,718 to 7,767 billion cubic feet, an increase of 1,049 billion cubic feet. Of this increase, 850 billion cubic feet is due to extensions of the proved area of the Pictured Cliffs formation. From January 1, 1956 to July 1, 1956 production from this area was 79 billion cubic feet. The continuing development since July 1, 1956 we have not taken into account.

The Company's estimated take from the San Juan area as presented to the Commission (Docket G-10499), apart from the gas received from Pacific on an exchange basis as outlined above, for the years 1956 through 1974 is 4,443 billion cubic feet, leaving an estimated dedicated reserve at the end of 1974 of 3,324 billion cubic feet.

Our estimate of reserves in the San Juan Basin area is based on an abandonment pressure of 500 pounds in the Mesaverde formation of the Blanco field. Due to the recent improvements and developments in well completion techniques it will, in our opinion, be possible to economically produce gas wells below this assumed abandonment pressure of 500 pounds. Each drop of 100 pounds in assumed abandonment pressure would increase the estimated reserves by about 500 billion cubic feet. This, we believe, gives a large factor of safety to our estimate of the reserves in the Mesaverde formation. We believe that the continuing development and exploration in the San Juan Basin will further increase the known gas reserves dedicated to your Company in this area.

[fol. 1108] Summary

You have informed us that you have estimated your firm requirements from July 1, 1956 to January 1, 1975 to be an aggregate of 15,583 billion cubic feet of gas, based on present contracts, with an estimated aggregate maximum day demand of 2,488 million cubic feet, which is the planned capacity of the Company's main transmission pipeline.

It is our opinion that the presently proven gas reserves now available to the Company in the Permian Basin area and the Texas Panhandle and in the San Juan Basin area as outlined above, together with the 50 million cubic feet per day of Canadian gas which you are to receive on an exchange basis in the San Juan Basin area under your contract with Pacific, are more than adequate to supply through 1974 the over-all requirements of your pipe line system, including the additional requirements of 150 million cubic feet per day resulting from the further enlargement of your system capacity as applied for to the Commission in Docket No. G-10489.

The gas available to the Company should be considered as consisting not only of the present proven gas reserves of fixed amount gradually being exhausted through the years but as a supply the over-all amount of which can be expected to be increased in the future by new additions. We are generally familiar with the program of exploration carried on by the Company in Canada, the Rocky Mountain area, New Mexico, Texas and the Tidelands offshore from Louisiana. We are also familiar with the policy of the Company to purchase reserves in place when such purchase can be made at reasonable cost. In our opinion, the areas through which the Company operates, particularly in New Mexico and Texas, are areas of great potential production of both oil and gas in the future. Since 1928, the rate of withdrawal in these areas has constantly increased but proven gas reserves have more than kept pace. For these reasons, it is our opinion that through exploration and de-

velopment of its own reserves, through purchase of reserves in place, and by contracting for the purchase of gas at the well mouth the Company should be able to obtain its gas requirements to supply the demands of its market for a period well beyond the year 1974.

Very truly yours,

BROKAW, DIXON & MCKEE

By A. FAISON DIXON

[fol. 1109]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT H

ANALYSIS OF STOCK LIST OF EL PASO NATURAL GAS COMPANY RECORD DATE—NOVEMBER 16, 1964

Group (Shares)	No. of Stockholders in Group	Total Number of Shares in Group
0-99	59,321	1,942,501
100	26,374	2,637,400
101-200	17,754	2,901,864
201-300	5,834	1,566,048
301-400	2,534	933,373
401-500	1,710	825,411
501-600	719	408,00
601-700	538	356,59
701-800	395	304,099
801-900	215	186,987
901-1000	481	476,308
TOTAL	115,875	12,538,594
100 and over	1,625	10,399,775
TOTAL	117,500	22,938,369

[fol. 1110]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT I

EL PASO NATURAL GAS COMPANY

Common Stock Ownership

Officers and Directors	Number of Shares
Alfred C. Glassell, Jr., Director	229,429
Paul Kayser, Chairman of the Board of Directors	115,116
C. R. Williams, Director	90,318
Leon M. Payne, Director	34,608
Frank A. Liddell, General Counsel and Director	33,000
Franz Schneider, Director	26,659
C. L. Perkins, Vice President and Director	10,000
Fred T. Wagner, Vice President and Director	4,427
D. H. Tucker, Vice President	4,068
Howard Boyd, President and Director	4,000
R. W. Harris, Vice President	2,882
H. F. Steen, Vice President and Manager of Pipe Line Operations and Director	2,454
Lawrence M. Arnold, Director	2,000
M. C. Norwood, Vice President and Controller	1,638
Virgil Rittmann, Secretary and Treasurer	1,282
Ben R. Howell, Vice President	1,148
Sam D. Young, Director	1,100
Wayne S. Gerber, Assistant Secretary	716
A. C. Martch, Assistant Secretary and Assistant Treasurer	683
Arthur H. Dean, Director	668
Eugene S. Hooper, Director	666
J. F. Eichelmann, Vice President and Executive Engineer	504
A. R. Grambling, Director	500
V. M. Plummer, Assistant Secretary	358

Officers and Directors	Number of Shares
W. B. Warren, Assistant Secretary and Assistant Treasurer	275
John M. Evans, Associate General Counsel and Assistant Secretary	8
Total Officers and Directors	568,507
Employees' Savings Trust	239,462
Employees' Retirement Trust	15,334
Total Officers, Directors and Employees' Savings and Retirement Trusts	823,303
Total Shares Outstanding	22,938,369
Per cent Shares held by Officers and Directors to Total Shares Outstanding	2.48%
Per cent Shares held by Officers, Directors and Employees' Savings and Retirement Trusts to Total Shares Outstanding	3.59%

LEASE SALE AGREEMENTS

San Juan Basin Area

Lease	Work Order Nos.	GLA[1]	Closing Date[1]	P. C. Original Reserves M'cf	M. V. Original Reserves M'cf	Dakota Original Reserves M'cf
Claud E. Aikman	71311		6-21-59	-0-	1583.9	N.A.
Sea Dozzo	71024	298		5025.4	3287.2	11679.8
General Petroleum	71206	335		-0-	-0-	-0-
J. P. Leyendecker, Jr.	71544		4-6-62	-0-	-0-	-0-
~~Holmes and White~~	~~71065~~	~~139~~		~~208.4~~	~~N. A.~~	~~N. A.~~
C. T. Payne and H. F. McKay, Jr.	71031		10-29-57	502.5	328.7	1168.0
Phillips - A.	71200	362		N. A.	N. A.	156241.9
San Juan Gas Corporation	71267	332		30534.6	4483.8	-0-
Henry C. Schultz	71051		2-28-57	-0-	839.1	-0-
Schultz, Turner and Cobb	71352	359		6761.8	5913.0	-0-
~~Sunset International~~	~~71297~~		~~3-10-59~~	~~N. A.~~	~~0~~	~~7712.3~~
~~Texas National Petroleum - A~~	~~71198~~	~~76~~		~~N. A.~~	~~N. A.~~	~~256734.8~~
~~Turner, Webb, et al~~	~~70841~~	~~160 & 249~~		~~12865.5~~	~~672.8~~	~~-0-~~
Ted M. White	71212		1-9-59	2463.2	8873.0	N. A.
Mike Abrahos, et ux	71386	374		-0-	6872.9	-0-
American Petrofina	71598		11-14-62	-0-	-0-	401.7
Atlantic Refining - C.	71354		11-5-59	-0-	368.2	-0-
Atlas Corporation	71618		11-29-62	-0-	-0-	482.1
Aztec Oil & Gas Co.	71199		2-6-58	-0-	17303.6	-0-
Brogan, G. E. - Trustee	71604	407		-0-	-0-	-0-
Bruington, G. F. - Guardian	70932		5-1-57	-0-	617.0	211.8
Cain, Wofford	71156	306		724.3	-0-	-0-
DeNhi Taylor Oil Corporation	71174	297		8813.6	-0-	-0-
~~Farrell, Robert~~	~~70848~~			~~1693.0~~	~~0~~	~~0~~
~~Evans, Curtis, et al~~	~~70849~~			~~978.3~~	~~0~~	~~0~~
Florance, D. E.	71564	402		6239.2	-0-	-0-
Glasser, Myron	71459		2-17-61	188.2	-0-	343.0
Gomes, J. C.	71183		6-9-59	-0-	-0-	-0-
~~Harvey, C. B. and J. I.~~	~~70900~~			~~1564.3~~	~~0~~	~~0~~
Harvey, C.	70940		4-19-57	280.8	127.5	391.9
Hill, A. D. and M. F.	70993		6-3-57	-0-	2276.0	-0-
Hill, A. G., et ux	71273	361		898.6	-0-	-0-
Hondo Oil and Gas Company	71331		9-30-59	129.4	548.3	-0-

LEASE SALE AGREEMENTS
San Juan Basin Area
(Continued)

Lease	Work Order Nos.	GLA[1]	Closing Date[2]	P. C. Original Reserves M'cf.	M. V. Original Reserves M'cf.	Dakota Original Reserves M'cf.
Hondo Oil and Gas Company	71406		3-18-60	1199.7	-0-	775.1
Hondo Oil and Gas Company	71589		8-20-62	-0-	-0-	529.2
Humble Oil and Refining Company	71280		10-3-58	238.8	-0-	-0-
Hahn, C. B.	71602		7-11-63	-0-	1234.0	-0-
Jicarilla Tribe	70930		2-28-57	7487.0	-0-	-0-
Kingwood Oil Company	71422		6-3-59	-0-	-0-	584.9
La Plata Gathering Company	71227	253		951.8	-0-	-0-
La Plata - Turner, et al	71251	253		1526.6	-0-	-0-
Luff, R. L.	71205		7-18-58	201.2	-0-	-0-
Malco Refining, Inc.	71160	344		534.9	-0-	-0-
Marcski, Smith, McMillan	71342		1-8-60	777.4	-0-	-0-
McLane, A. E.	71260	246		374.4	1708	-0-
McLane, B.	71294	363		1472.2	-0-	-0-
McLane - Turner, Webb and La Plata	71258	253 & 372		576.6	-0-	-0-
Mitchell, Lucille F.	70849			503.6	0	-0-
Mitchell, Hugh J.	71066		11-12-57	-0-	-0-	-0-
Navajo Tribe	70994		4-25-57	-0-	-0-	-0-
Navajo Tribe	70995		4-25-57	-0-	-0-	-0-
Navajo Tribe	70996		4-25-57	-0-	-0-	-0-
Navajo Tribe	70997		4-25-57	-0-	-0-	-0-
Navajo Tribe	70998		4-25-57	-0-	-0-	-0-
Navajo Tribe	70999		4-25-57	-0-	-0-	-0-
Northwest Production Company - A.	71410		5-2-60	-0-	2438.5	-0-
Northwest Production (12-18-57)				-0-	1033.7	-0-
Owen, Harmon	70979		10-8-58	2238.7		2358.1
Palmer, Jesse	71178		5-31-58	-0-	536.9	-0-
Phillips Drilling Corporation	70844		1-7-57	-0-	4293.4	-0-
Pool, H. O., et al	70970		4-24-57	4002.5	4857.8	16508.0
Pubco Petroleum Corp.	70941	297		400.0	1133.8	--
Pubco Petroleum Corp.	71163		6-27-58	791.1	623.9	-0-
Pubco Petroleum Corp. - "D"	71378		4-29-60	261.1	-0-	-0-

LEASE SALE AGREEMENTS
San Juan Basin Area
(Continued)

Lease	Work Order Nos.	GLA	Closing Date	P. C. Original Reserves M°cf	M. V. Original Reserves M°cf	Dakota Original Reserves M°cf
Rahn, Henry	71179		5-28-58	101.5	-0-	203.8
Rieson Company	71197		8-28-58	3208.3	5800.1	1691.6
Riddle, H. K.	70871	255		379.2	1238.8	425.2
Riddle, - "C"	71150		7-17-58	2246.5	1020.2	3135.4
Schaler, John A.	70881		3-1-57	-0-	617.0	211.8
Schultz, Turner, Webb	70863	257		20932.6	-0-	-0-
Schultz, F. A. and La Plata	71252	253		781.5	-0-	-0-
Schultz, Turner, Webb and La Plata	71261		12-1-58	-0-	-0-	-0-
Schultz, Turner, Webb	71248	257		-0-	7287.0	-0-
Schultz, Turner, Webb	71250	253		1678.7	-0-	-0-
Schultz, Turner, Webb	71253	254		828.1	-0-	-0-
Schultz, Turner, Webb, et al	71319	361		767.2	-0-	-0-
Schultz, Turner, Webb, et al	71392	359		-0-	2605.9	-0-
Schultz, Turner, Webb, et al	71615	372		1114.8	4375.4	1614.9.4
Silver and Florence	71154	326		13549.5	2345.2	4230.4
Smith, Maroski, Elliott	71368	328		613.8	-0-	-0-
Smith, Maroski, McMillan and Glasser	71303		6-26-59	251.7	-0-	-0-
Smith, Maroski, McMillan	71347	327		1122.0	-0-	-0-
Southern Pet. Expl., Inc.	71330		10-8-59	129.4	548.3	-0-
Southern Union Gas Company	71204		9-15-58	261.1	205.9	-0-
Southern and American Pet.	71422		12-1-60	-0-	955.4	-0-
Southern Union Gas Company - "A"	71424	380		286.8	-0-	-0-
State of New Mexico - B	71603		6-18-63	-0-	-0-	321.4
Stephens, Mondo	71425	383		-0-	655.2	932.1
~~Turner and Webb~~	~~70885~~	~~168~~		~~267.5~~	~~0~~	~~0~~
Turner and Webb	71257	372		314.0	-0-	-0-
Turner and Webb, Fenton, Montin, Greer	71256		12-1-58	203.0	-0-	-0-
~~Superior Oil Company~~	~~70849~~	~~184~~		~~108093.6~~	~~11634.7~~	~~61219.9~~

[fol. 1113]

1909

LEASE SALE AGREEMENTS
San Juan Basin Area
(Continued)

Lessee		Work Order Nos.	GLA 1/	Closing Date 1/	P. C. Original Reserves M³of	M. V. Original Reserves M³of	Dakota Original Reserves M³of
Texaaco Oil Corp.		71595		10-26-62	2205.2	-0-	2249.6
Texas Natural Pet. Co.		71487		6-30-61	-0-	-0-	3606.5
Trujillo		71201		7-8-58	-0-	787.6	845.8
Turner, J. Glenn		70832	246		2246.5	183.4	-0-
Turner and Webb		70832-A	246		-0-	929.9	-0-
Turner, J. Glenn		71572	372		-0-	8493.3	19867.1
Turner, J. Glenn - "Z"		71586	372		-0-	2038.3	1931.4
Underwood, Rip C.		71466		3-15-61	7404.0	-0-	-0-
United States of America		70879		2-19-57	414.0	395.0	774.2
Wolf		71074		1-23-58	261.1	202.9	-0-
San Juan Basin Leasehold Total (Revised)					166895.9	110463.0	248066.3
Total Pictured Cliffs, Mesaverde and Dakota							525425.2
					Original Reserves		
General Petroleum	(Alkali Gulch)	71206	335		16100.0		
Turner, J. Glenn	(Various Gallup)	71572	372		88.9		

1/ Where a GLA has been unassigned, a closing date has been shown.

[fol. 1115]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT L

EL PASO NATURAL GAS COMPANY PROGRAM FOR DIVESTMENT

In compliance with the directive of the Supreme Court that El Paso divest itself of the ownership of properties formerly constituting Pacific Northwest Pipeline Corporation, El Paso proposes to form a new corporation to which will be transferred, as nearly as possible, all of the operating properties received by El Paso upon the merger into it of Pacific Northwest Pipeline Corporation and property additions installed by El Paso applicable thereto. The stock of Westcoast Transmission Company, Ltd., would be sold by El Paso to Pacific Petroleum Company Ltd., a Canadian Company, or other purchaser satisfactory to the Department of Justice. Exhibit I, annexed hereto, is a Statement of the Net Book Value of the new company and includes a statement showing the consideration to be received by El Paso therefor.

The properties would be conveyed by El Paso to the new company in exchange for—

(a) the agreement of the new company to assume and discharge $145,000,000 principal amount of bonded debt and $45,000,000 principal amount of unsecured funded debt (debentures) of El Paso,

(b) $4,500,000 of Preferred Stock, and

(c) all of the Common Stock of the new company.

The bonds and debentures of the new company would be issued by the new company to holders of a like dollar amount of bonds and debentures of El Paso and would have substantially the same terms as the El Paso securities [fol. 1116] except for the interest rate, which would be

negotiated. On the exchange, the properties to be transferred to the new company would be released from the lien of the El Paso Mortgage. The $4,500,000 of Preferred Stock of the new company to be received by El Paso would be exchanged for shares of outstanding Preferred Stock of El Paso.

The Common Stock of the new company to be received by El Paso would be delivered immediately to a trustee acceptable to the Department of Justice, who would exercise all voting rights pending distribution of the Common Stock pursuant to the plan of divestment so that El Paso will at no time exercise any control over the new company. The Common Stock would be distributed to or exchanged with El Paso's common stockholders over a period not exceeding 30 months.

The carrying out of the foregoing program assumes that the Company will be able to obtain the necessary consents from the El Paso security holders as well as appropriate rulings from the Internal Revenue Service, the approval of the Court and the issuance of necessary certificates by the Federal Power Commission.

The proposed capitalization of the new company is set forth in Exhibit II hereto, and includes the securities above described and an additional $5,500,000 of Preferred Stock which will be sold by the new company to third parties to provide necessary working capital.

A Statement of Income for El Paso's Northwest Division for the year ended December 31, 1963 is annexed as Exhibit III.

[fol. 1117] El Paso has completed negotiations relating to a financing program involving the sale of $35,000,000 of new mortgage bonds and $40,000,000 of new debentures of El Paso, as well as the exchange of five series of outstanding mortgage bonds in the aggregate maximum amount of $281,890,000 with maturities occurring from 1968 to 1974 for five new series in like principal amount maturing in 1984. This program is designed to eliminate

El Paso's current bank loans in the amount of $120,000,000 and to substantially reduce certain large sinking fund requirements occurring over the next 10 years, a program considered necessary to the continued financial stability and strength of El Paso. The successful consummation of the plan of divestment outlined above, requiring, as it does, consents and cooperation of the holders of El Paso's funded debt so that debt retirements for the new company as well as El Paso will be manageable in amount, is largely dependent upon the prompt carrying out of the current financing program.

There is annexed hereto as Exhibit IV a schedule showing El Paso's depreciation accruals compared with sinking fund requirements with and without consummation of the current financing program.

(See opposite) ☞

[fol. 1118]

EXHIBIT I

PROPOSED
RECONSTITUTED PACIFIC NORTHWEST
PIPELINE CORPORATION

Pro-forma Statement of Net Book Value

December 31, 1963
Thousands of Dollars

Assets		
Gas Plant	$334,166	
Less accumulated provision for Depreciation, Depletion and Amortization	62,411	$271,755
Other Property and Investments		4,387
Other Miscellaneous Assets		4,734
Total Assets		$280,876
Liabilities		
Reserve for Gas Plant Adjustments	$ 10,000	
Provision for Deferred Federal Income Tax	18,177	
Other Miscellaneous Liabilities	4,199	32,376
Net Book Value		$248,500

Consideration to be Received by El Paso Natural Gas Company for Such Net Book Value

Assumption and discharge of Bonds	$145,000
Assumption and discharge of Debentures	45,000
Preferred Stock	4,500
Common Stock	54,000
Total	$248,500

[fol. 1119]

EXHIBIT II

PROPOSED CAPITALIZATION OF RECONSTITUTED PACIFIC NORTHWEST PIPELINE CORPORATION

Thousands of Dollars

	Amount	Ratio %
First Mortgage Pipeline Bonds	$145,000	57.09
Sinking Fund Debentures	45,000	17.71
Total Debt	190,000	74.80
Preferred Stock*	10,000	3.94
Common Stock	54,000	21.26
Total Equity	64,000	25.20
Total Capitalization	$254,000	100.00

* Includes $5,500,000 to provide working capital in addition to the $4,500,000 to be issued to El Paso Natural Gas Company

[fol. 1120]

EXHIBIT III

NORTHWEST DIVISION OF
EL PASO NATURAL GAS COMPANY
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1963

Operating Revenues	
Gas Sales	
Commercial and Industrial Sales	$ 5,269,635
Sales for Resale - Other Gas Utilities	76,269,018
Extracted Products Sales	2,242,845
Other Operating Revenues	2,224,325
Total Operating Revenues	86,005,823
Expenses	
Other Gas Supply Expenses	41,191,089
Natural Gas Production and Gathering Expenses	3,825,768
Gas Well Royalties	1,936,073
Exploration and Development Expenses	139,950
Transmission Expenses	4,426,755
Sales Expenses	315,672
Administrative and General Expenses and Customer Accounts Expenses	2,060,346
Subtotal	53,895,653
Depreciation and Amortization	9,048,051
Depletion	752,215
Other Taxes	3,074,848
Total Expenses	66,770,767
Other Income - Net	72,687
Total Expenses and Other Income	66,698,080
Other Deductions	
Interest	9,180,682
Amortization of Debt Expense and Premium (Net)	51,855
Interest Charged to Construction - Credit	86,358
Miscellaneous Other Deductions	(60,445)
Total Other Deductions	9,085,734
Total Expenses and Other Deductions	75,783,814
Net Income before Provision for Federal Income Tax	10,222,009
Provision for Federal Income Tax	
Provision for Current Year	3,007,717
Provision for Deferred Federal Income Tax	1,451,937
Total Provision for Federal Income Tax	4,459,654
Net Income	$ 5,762,355

NOTE: The Northwest Division of El Paso Natural Gas Company is essentially the same as the old Pacific Northwest Pipeline Corporation and it is estimated that the earnings of the resulting new company would be comparable.

[fol. 1121]

EXHIBIT IV

EL PASO NATURAL GAS COMPANY

Comparison of Sinking Fund Requirements on Debt And Preferred Stock With Depreciation Accruals

Thousands of Dollars

Year	Depreciation Accruals	Sinking Funds Without Present Financing Program	Surplus or (Deficit)	Sinking Funds With Present Financing Program	Surplus or (Deficit)
1964	$ 46,774	$ 58,064	$(11,290)	$ 43,494	$ 3,280
1965	46,622	137,482	(90,860)	45,337	1,285
1966	46,432	62,782	(16,350)	47,582	(1,150)
1967	46,332	62,732	(16,400)	48,082	(1,750)
1968	46,254	70,107	(23,853)	54,907	(8,653)
1969	46,250	68,904	(22,654)	52,464	(6,214)
1970	46,227	72,358	(26,131)	53,718	(7,491)
1971	46,137	72,004	(25,867)	53,064	(6,927)
1972	45,992	73,944	(27,952)	53,564	(7,572)
1973	45,529	69,814	(24,285)	56,064	(10,535)
1974	45,412	70,199	(24,787)	57,039	(11,627)
1975	45,232	49,539	(4,307)	59,039	(13,807)
1976	44,734	29,889	14,845	52,839	(8,105)
1977	44,061	28,383	15,678	50,833	(6,772)
1978	41,690	18,995	22,695	46,145	(4,455)
1979	41,721	21,346	20,375	48,496	(6,775)
1980	40,873	14,096	26,777	43,546	(2,673)
1981	38,483	18,046	20,437	49,796	(11,313)
1982	32,373	11,046	21,327	42,796	(10,423)
1983	26,882	4,846	22,036	38,796	(11,914)
1984	23,121	4,846	18,275	21,821	1,300

IN UNITED STATES DISTRICT COURT
DEFENDANT'S EXHIBIT R

EL PASO NATURAL GAS COMPANY

Supplement to Defendants' Exhibit H Showing Partial List of Beneficial Owners of Stock Held of Record by Brokers and Nominees (Included in Holders of 1,001 Shares and above which are 1,625 Stockholders of Record in Number Holding 10,399,775 Shares of Record)

Based on Letters from Brokers and Nominees

Stockholder of Record	Number of Beneficial Owners
Abbott Proctor & Paine	102 ✓
Abraham & Co.	40 ✓
Atwell & Co.	79 ✓
Auchincloss Parker & Redpath	64 ✓
Aumend & Co.	18 ✓
Bache & Co.	984 ✓
Baker Weeks & Co.	50 ✓
Bear Stearns & Co.	40 ✓
Bonyman & Co.	2 ✓
Bost & Co.	10 ✓
Bosworth & Co.	1 ✓
Boyd & Co.	2 ✓
Brown Brothers Harriman & Co.	38 ✓
Bruns Nordeman & Co.	87 ✓
Buckley & Co.	118 ✓
Burnham & Company	90 ✓
Burton Dana & Co.	16 ✓
Carreau & Co.	30 ✓
Charles Frederic & Co.	12 ✓

1920
[fol. 1123]

Stockholder of Record	Number of Beneficial Owners
B. C. Christopher & Co.	39
Clark Dodge & Co.	90
Clooney & Co.	47
Cohen Simonson & Co.	88
Courts & Co.	60
Croft & Co.	1
Cross & Co.	34
Cudd & Co.	55
De Coppet & Doremus	161
Delafield & Delafield	38
Dengel & Company	70
Doak & Company	21
Dominick & Dominick, Incorporated	51
Dreyfus & Company	43
Drum & Co.	13
Dumaines	1
Francis I. DuPont & Co.	966
Dwyer & Co.	13
Eastman Dillon Union Securities & Co.	156
Eddy & Co.	1
Edwards & Hanly	66
Egger & Co.	25
Eisele & King Libaire Stout & Co.	66
C. A. England & Co.	21
English & Co.	27

Stockholder of Record	Number of Beneficial Owners
Ernst & Co.	34
Fahnestock & Co.	146
Filor Bullard & Smyth	29
French & Co.	1
Gerrish & Company	10
Gill & Co.	18
Goodbody & Co.	537
Gracechurch Co.	11
Granbery Marache & Co.	44
Granger & Company	37
Gruntal & Co.	43
Gude Winmill & Co.	88
Gunther & Co.	20
G. C. Haas & Co.	32
F. J. Haffner & Co.	1
Halle & Stieglitz	46
Harbison & Henderson	15
Hare & Co.	36
Williams & Co.	5
Lerche & Co.	11
Wax & Co.	19
Harris Upham & Co.	1,265
Hayden, Stone	287
Heil & Co.	11
Hemphill Noyes & Co.	70
H. Hentz & Co.	307

1922
[fol. 1125]

Stockholder of Record	Number of Beneficial Owners
Herzfield & Stern	87
Hirsch & Co.	159
Hoppin Bros. & Co.	32
Hornblower & Weeks	252
Houston & Co.	20
How & Company	26
Wayne Hummer & Co.	41
Hurley & Co.	32
E. F. Hutton & Co., Inc.	786
W. E. Hutton & Co.	120
Josephthal & Co.	51
Kane & Co.	27
Kidder Peabody & Co. Incorporated	41
King & Co.	77
Ladenburg Thalmann & Co.	20
Laidlaw & Co.	96
Laird Bissell & Meeds	69
Lamson Bros. & Co.	61
Lang & Co.	1
Cyrus J. Lawrence & Sons	12
Lazard Freres & Co.	5
Leeds & Company	14
Carl M. Loeb Rhoades & Co.	127
Lot & Co.	2
McDonnell & Co., Incorporated	98
Mabon & Company	40
Merrill Lynch, Pierce, Fenner & Smith	4,907

[fol. 1126]

Stockholder of Record	Number of Beneficial Owners
Mitchell Hutchins & Co.	58
Model Roland & Co.	35
Montgomery Scott & Co.	44
Moore & Schley	17
Nap & Co.	4
Nay & Co.	29
Newburger Loeb & Co.	99
Obie & Co.	7
Oppenheimer Newborg & Neu	35
J. C. Orr & Co.	24
Orrin Henry & Co.	36
Orvis Bros. & Co.	56
Paine, Webber, Jackson & Curtis	439
Pershing & Co.	25
Powers & Co.	412
Rauscher Pierce & Co., Inc.	31
Reffell & Co.	11
Reynolds & Co.	765
C. B. Richard & Co.	40
Wm. C. Roney & Co.	44
L. F. Rothschild & Co.	73
Rowe & Co.	11
Rush & Co.	21
Sandrisser & Co.	10
Sargent & Co.	7
Sartorius & Co.	66

Stockholder of Record	Number of Beneficial Owners
Schmidt & Co.	13 ✓
Schwabacher & Co.	59 ✓
Scott and Company	3 ✓
Share & Co.	1 ✓
Shearson Hammill & Co.	182 ✓
Shields & Co.	58 ✓
Sigler & Co.	98 ✓
Sincere & Co.	44 ✓
A. L. Stamm & Co.	51 ✓
Steiner Rouse & Co.	85 ✓
Tegge & Co.	15 ✓
Tope & Co.	29 ✓
Tewes & Co.	13 ✓
Textor & Co.	9 ✓
Thomson & McKinnon	372 ✓
Tucker, Anthony & R. L. Day	37 ✓
G. H. Walker & Co.	72 ✓
Walston & Co., Inc.	774 ✓
Watling Lerchen & Co.	40 ✓
T. L. Watson & Co.	120 ✓
Wayco & Company	32 ✓
A. A. Welsh & Company	20 ✓
W. A. & A. M. White	26 ✓
White, Weld & Co.	110 ✓
Wiggin & Company	9 ✓
Winslow Cohu & Stetson Inc.	33 ✓

Stockholder of Record	Number of Beneficial Owners
Dean Witter & Co.	359 ✓
Wood Walker & Co.	51 ✓
Total	18,976

Number of Stockholders of record holding 1,001 shares and over from Defendants' Exhibit H		1,625
Number of beneficial owners listed above	18,976	
Less number of Brokers and Nominees reporting	151	18,825
Number of beneficial owners (partial)		20,450
Number of shares represented		10,399,775
Average number of shares held		509

ANALYSIS OF STOCK LIST OF EL PASO NATURAL GAS COMPANY
RECORD DATE - NOVEMBER 16, 1964

Group (Shares)	No. of Stockholders in Group	Total Number of Shares in Group
0-99	59,321	1,942,501
100	26,374	2,637,400
101-200	17,754	2,901,864
201-300	5,834	1,566,048
301-400	2,534	933,373
401-500	1,710	825,411
501-600	719	408,004
601-700	538	356,599
701-800	395	304,099
801-900	215	186,987
901-1000	481	476,308
TOTAL	115,875	12,538,594
1001 & over	1,625	10,399,775
TOTAL	117,500	22,938,369

[fol. 1130]

EL PASO NATURAL GAS COMPANY

ONE CHASE MANHATTAN PLAZA

NEW YORK 5, NEW YORK, 10005

JOHN M. EVANS

ASSOCIATE GENERAL COUNSEL

December 24, 1964

Abbott Proctor & Paine
Room 1510
2 Broadway
New York 4, New York

Dear Sirs:

Recently, in connection with the divestiture proceedings in *United States* v. *El Paso Natural Gas Company* (Civil Action C-143-57, U.S. District Court Utah), the U.S. Department of Justice requested you to furnish "a list of persons who beneficially owned 5,000 or more shares of El Paso Natural Gas Company common stock held in the name of your company as of April 24, 1964." The information furnished to the Department of Justice in response to the aforesaid inquiry has been received in evidence in that proceeding.

On behalf of the defendant, El Paso Natural Gas Company, we wish to also introduce evidence regarding the number of beneficial owners represented by the shares held in the name of firms previously contacted by the Department of Justice. We are not interested in the names and addresses of your customers who are the beneficial owners but only in the number of accounts for whose benefit shares of El Paso Natural Gas Company Common Stock were registered in the name of your firm on the date indicated.

The divestiture proceeding before the U.S. District Court has been recessed and will reconvene on January 5, 1965. It is most important that we be prepared to present at that time evidence as to the total number of accounts represented by the shares registered in street names. Accordingly, it will be appreciated if you will endorse on the foot of a copy of this letter, enclosed for that purpose, the number of beneficial owners for whom you held shares of El Paso Natural Gas Company Common Stock registered in the name of your firm on April 24, 1964 and return the information to us not later than Wednesday, December 30, 1964 in the enclosed self-addressed envelope.

If you have any questions in connection with the foregoing please telephone the undersigned in our New York office, HA 5-7450.

Very truly yours,

John M. Evans
/s/ John M. Evans
Associate General Counsel

JME:rv
Enclosure

As of April 24, 1964 the undersigned firm held 19,284 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 102 beneficial owners.

Abbott Proctor & Paine

By /s/ (signature illegible)

[fol. 1131]
CLERK'S NOTE:

By agreement with counsel El Paso Natural Gas Company's letter dated December 24, 1964 is not repeated. The addressee and the footnote which are the pertinent parts follow.

EL PASO NATURAL GAS COMPANY

ONE CHASE MANHATTAN PLAZA

NEW YORK 5, NEW YORK, 10005

JOHN M. EVANS
ASSOCIATE GENERAL COUNSEL

December 24, 1964

Abraham & Co.
120 Broadway
New York 5, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 7,334 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 40 beneficial owners.

ABRAHAM & Co.

By /s/ (Signature illegible)

[fol. 1132]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Atwell & Co.
c/o United States Trust Co. of N. Y.
45 Wall Street
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 30,610 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 79 beneficial owners.

Atwell & Co., a nominee of the
United States Trust Company
of New York

By /s/ (Signature illegible)
Assistant Vice President and
Auditor

Dec 29 1964

UNITED STATES TRUST COMPANY OF NEW YORK
45 Wall St. New York, N. Y.

COPY

[fol. 1133]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Auchincloss Parker & Redpath
2 Broadway
New York 4, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 8915 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 64 beneficial owners.

Auchincloss Parker & Redpath

By /s/ (Signature illegible)

[fol. 1134]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Aumend & Co.
c/o Toledo Trust Co.
Trust Dept.
Toledo 3 Ohio

* * * * * * *

As of April 24, 1964 the undersigned firm held 6076 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 18 beneficial owners.

Aumend & Co.

By /s/ Aumend & Co.

[fol. 1135]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

Bache & Co.
36 Wall Street
New York, N. Y.

December 24, 1964

• • • • • • •

As of April 24, 1964 the undersigned firm held 135,566 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 984 beneficial owners.

Bache & Co.
Law Department
Administration Section

By /s/ (Signature illegible)

COPY

[fol. 1136]

[Letterhead of Baker Weeks & Co. of New York, N. Y.]

Mr. John M Evans
Associate General Counsel
El Paso Natural Gas Co.
1 Chase Manhattan Plaza
New York 5, N.Y.

Decmber 29, 1964

Dear Sir;

Regarding your letter of December 24, 1964 requesting the number of beneficial owners of stock as of April 24, 1964 the following information is given.

Fifty (50) beneficial owners totaling 12,550 shs

Very truly yours,

/s/ Joseph F. Mariano
Baker Weeks & Co.
Mr. Joseph Mariano,
Proxy Clerk

[fol. 1137]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Baker Weeks & Co.
1 Wall Street
New York 5, N. Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 12,550 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for ..... beneficial owners.

Baker Weeks & Co.

By .....

COPY

[fol. 1138]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Bear Stearns & Co.
1 Wall Street
New York 5, N. Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 6625 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for Forty beneficial owners. (40)

Bear Stearns & Co.

By /s/ William A. Sherman

[fol. 1139]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Bonyman & Co.
Trust Dept.
135 Devonshire Street
Boston 7, Mass.

* * * * * * *

As of April 24, 1964 the undersigned firm held 5500 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 2 beneficial owners.

Bonyman & Co.

By /s/ A. E. HALL
Assistant Vice President

COPY

[fol. 1140]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Bost & Co.
c/o Boston Safe Deposit & Trust Co.
Trust Dept.
100 Franklin Street
Boston 6, Massachusetts

* * * * * * *

As of April 24, 1964 the undersigned firm held 7423 shares of El Paso Natural Gas Company Common Stock registered in the name of our nominee Bost & Co. for 10 beneficial owners.

Bost & Co.

By /s/ BOST & Co.

[fol. 1141]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Bosworth & Co.
P. O. Box 106
Wall Street Station
New York 5, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 5758 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 1 beneficial owners.

Bosworth & Co.

By /s/ (Signature illegible)

COPY

[fol. 1142]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Boyd & Co.
c/o Schroeder Trust Co.
Securities Dept.
57 Broadway
New York 15, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 25625 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for two beneficial owners.

Boyd & Co.

By /s/ (Signature illegible)

COPY

[fol. 1143]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Brown Brothers Harriman & Co.
69 Wall St.
New York 5, N. Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 32002 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 38 beneficial owners.

December 30, 1964

Brown Brothers Harriman & Co.

By /s/ J. E. Woods

COPY

[fol. 1144] You previously advised the Justice Department that one or more of your accounts beneficially owned 5,000 shares or more. Please state in the following blank the aggregate number of shares owned by all accounts which owned 5,000 shares or more. 15,000.

[fol. 1145]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

Bruns Nordeman & Co. December 24, 1964
115 Broadway
New York 6, N.Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 18,256 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 87 beneficial owners.

Bruns Nordeman & Co.

By /s/ (Signature illegible)

[fol. 1146]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Buckley & Co.
c/o Fiduciary Trust Company of New York
1 Wall Street
New York 5, N. Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 6180 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 118 beneficial owners.

Buckley & Co.

By /s/ ANNE ZIEGLER

[fol. 1147]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Burnham & Company
60 Broad Street
New York 4, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 16158 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 90 beneficial owners.

Burnham & Company

By /s/ (Signature illegible)

[fol. 1148]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Burton Dana & Co.
120 Broadway
New York, N. Y.
Att: Miss Virginia Tiernan

* * * * * * *

As of April 24, 1964 the undersigned firm held 6,087 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 16 beneficial owners.

Burton Dana & Co.

By /s/ ARTHUR HENIL
Partner

1/3/65

[fol. 1149]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Carreau & Co.
115 Broadway
New York, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 5145 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 30 beneficial owners.

Carreau & Co.

By /s/ (Signature illegible)

[fol. 1150]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Charles Frederic & Co.
c/o Irving Trust Co.
1 Wall Street
New York 15, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 6217 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 12 beneficial owners.

Charles Frederic & Co.
By Irving Trust Company

By /s/ (Signature illegible)
Authorized Signature

[fol. 1151]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

B. C. Christopher & Co.
200 Board of Trade Bldg.
Kansas City 5, Missouri

* * * * * * *

As of April 24, 1964 the undersigned firm held 5,463 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 39 beneficial owners.

B. C. Christopher & Co.

By /s/ (Signature illegible)

[fol. 1152]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Clark Dodge & Co.
61 Wall Street
New York, New York

• • • • • • • •

As of April 24, 1964 the undersigned firm held 16,607 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 90 beneficial owners.

CLARK DODGE & Co.

By /s/ P. A. ROMANO

COPY

[fol. 1153]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Clooney & Co.
c/o Fiduciary Trust Company of N. Y.
1 Wall Street
New York 5, New York

• • • • • • • •

As of April 24, 1964 the undersigned firm held 20,516 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 47 beneficial owners.

CLOONEY & Co.

By /s/ ANNE ZIEGLER

[fol. 1154]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Cohen Simonson & Co.
25 Broad Street
New York 4, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 12,919 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 88 beneficial owners.

COHEN SIMONSON & Co.

By /s/ COHEN SIMONSON & Co.

COPY

[fol. 1155]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Courts & Co.
P. O. Box 1295
Atlanta 1, Georgia

* * * * * * *

As of April 24, 1964 the undersigned firm held 9,318 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 60 beneficial owners.

COURTS & Co.

By /s/ W. F. CARTER

[fol. 1156]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Croft & Co.
c/o First National Bank of Jersey City
1 Exchange Place
Jersey City, New Jersey

* * * * * * *

As of April 24, 1964 the undersigned firm held 5,131 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 1 beneficial owners.

CROFT & Co.

By /s/ CROFT & Co.

COPY

[fol. 1157]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Cross & Co.
c/o The First Pennsylvania Banking and Trust Co.
Packard Bldg.
Philadelphia 1, Pa.

* * * * * * *

As of April 24, 1964 the undersigned firm held 12,233 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 34 beneficial owners.

CROSS & Co.

By /s/ (Signature illegible)

COPY

[fol. 1158]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Cudd & Co.
c/o Chase Manhattan Bank
P. O. Box 1508
Church Street Station
New York 8, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 47,679 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 55 beneficial owners.

CUDD & Co.

By /s/ (Signature illegible)

COPY

[fol. 1159]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

De Coppet & Doremus
72 Wall Street
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 6465 shares of El Paso Natural Gas Company Common Stock [registered in the name of said firm]* for 161 beneficial owners.

DE COPPET & DOREMUS

By /s/ (Signature illegible)

* Exact no shs in our name on 4-24-64 not known & figures not available at this time (12-28-64).

[fol. 1160]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Delafield & Delafield
45 Wall Street
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 6,215 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 38 beneficial owners.

DELAFIELD & DELAFIELD

By /s/ (Signature illegible)

[fol. 1161]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Dengel & Company
c/o Fiduciary Trust Company of N. Y.
1 Wall Street
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 57,248 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 70 beneficial owners.

DENGEL & COMPANY

By /s/ ANNE ZIEGLER

[fol. 1162]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Doak & Company
P. O. Box 140
El Paso, Texas

* * * * * * *

As of April 24, 1964 the undersigned firm held 17,225 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 21 beneficial owners.

DOAK & COMPANY

By /s/ G. M. LOVE
Trust Officer

COPY

[fol. 1163]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Dominick & Dominick
14 Wall Street
New York, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 21,398 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for ..... beneficial owners.

Dominick & Dominick

By .....

COPY

[fol. 1164] December 29, 1964

El Paso Natural Gas Company
One Chase Manhattan Plaza
New York 5, New York

Dear Sirs:

With reference to your letter of December 24, 1964, we have to inform you that as of April 24, 1964 we held for the account of fifty one customers an aggregate of—

22,574 shs EL PASO NATURAL GAS COMPANY

Yours very truly,

DOMINICK & DOMINICK, Incorporated.

By /s/ (Signature illegible)
Vice President

HBC:ck

[fol. 1165]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Dreyfus & Company
2 Broadway
New York 4, New York

* * * * * * * *

As of April 24, 1964 the undersigned firm held 10,652 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 43 beneficial owners.

Dreyfus & Company

By /s/ (Signature illegible)

[fol. 1166]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Drum & Co.
Mr. Arthur Trum
Texas National Bank
Houston, Texas

• • • • • • •

As of April 24, 1964 the undersigned firm held 11,592 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 13 beneficial owners.

Drum & Co.

By /s/ (Signature illegible)
a partner

COPY

[fol. 1167]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Dumaines
c/o F. C. Dumaine, Jr., Treas.
Room 1120
294 Washington Street
Boston 8, Massachusetts

• • • • • • •

As of April 24, 1964 the undersigned firm held 8,000 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for one beneficial owners.

Dumaines

By /s/ HENRY T. WIGGIN

COPY

[fol. 1168]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Francis I. DuPont & Co.
149 Broadway (Room 1014)
New York 5, New York

Att: Mr. Milton Speicher

* * * * * * *

As of April 24, 1964 the undersigned firm held 135,208 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 966 beneficial owners.

Francis I. DuPont & Co.

By /s/ M. A. Speicher

[fol. 1169]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Dwyer & Co.
c/o First National City Bank
22 William Street
New York, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 5,627 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 13 beneficial owners.

By /s/ (Signature illegible)
A Partner

COPY

[fol. 1170]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Eastman Dillon Union Securities & Co.
P. O. Box 321, Wall Street Station
New York, N.Y.

As of April 24, 1964 the undersigned firm held 24,111* shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 156 beneficial owners.

Eastman Dillon Union
Securities & Co.

By /s/ (Signature illegible)

* We have no records which would indicate the number of shares registered in our name for our customers on April 24, 1964. However, we do show that 156 customers were long 35,743 shares on that date.

COPY

[fol. 1171]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Eddy & Co.
c/o Bankers Trust Co.
P. O. Box 706
Church Street Station
New York 8, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 5,457 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 1 beneficial owners.

Eddy & Co.

By /s/ Eddy & Co.

COPY

[fol. 1172]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Edwards & Hanly
100 N. Franklin St.
Hempstead, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 6930 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 66 beneficial owners.

Edwards & Hanly

By /s/ (Signature illegible)

COPY

[fol. 1173]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Egger & Co.
c/o The Chase Manhattan Bank
P. O. Box 1508
Church Street Station
New York 8, New York

• • • • • • • •

As of April 24, 1964 the undersigned firm held 15,106 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 25 beneficial owners.

Egger & Co.

By /s/ (Signature illegible)

COPY

[fol. 1174]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Eisele & King Libaire Stout & Co.
50 Broadway
New York, N.Y.

• • • • • • • •

(10,486)

As of April 24, 1964 the undersigned firm held 6,456 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 66 beneficial owners.

By /s/ (Signature illegible)

COPY

[fol. 1175]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

C. A. England & Co.
c/o Chemical Corn Exchange Bank
P. O. Box 1368
Church Street Station
New York 8, N.Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 11,301 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 21 beneficial owners.

C. A. England & Co.

By /s/ (Signature illegible)

COPY

[fol. 1176]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

English & Co.
c/o The First National Bank & Trust Co. of New Haven
Trust Department
42 Church Street
New Haven, Connecticut

* * * * * * *

As of April 24, 1964 the undersigned firm held 12,012 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 27 beneficial owners.

English & Co.

By /s/ English & Co.

COPY

[fol. 1177]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Ernst & Co.
120 Broadway
New York, N.Y.

Att: Mr. Thomas Brown
Proxy Dept.

• • • • • • •

As of April 24, 1964 the undersigned firm held 9,843 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 34 beneficial owners.

By /s/ THOMAS E. BROWN

[fol. 1178]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Fahnestock & Co.
65 Broadway
New York 6, New York

Att: Mr. Joseph Wilson
Proxy Dept.

• • • • • • •

As of April 24, 1964 the undersigned firm held 20,176 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 146 beneficial owners.

Fahnestock & Co.

By /s/ (Signature illegible)

[fol. 1179]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Filor Bullard & Smyth
26 Broadway
New York, N.Y.

Dear Sirs:

As of April 24, 1964 the undersigned firm held 8,760 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 29 beneficial owners.

Filor Bullard & Smyth

By /s/ Stanley L. Deceynski

[Stamp—Dec. 28, 1964]

[fol. 1180] You previously advised the Justice Department that one or more of your accounts beneficially owned 5,000 shares or more. Please state in the following blank the aggregate number of shares owned by all accounts which owned 5,000 shares or more. 3,513*.

Stanley L. Deceynski

[Stamp—Dec. 28, 1964]

* We did not hold more than 5,000 shares in one name for any account but held the above figure for 2 accounts owning 24,190 total shares held by us, the remainder being registered in the name of the account.

[fol. 1181]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

French & Co.
c/o State Street Bank & Trust Co.
P. O. Box 351
Boston 1, Massachusetts

* * * * * * * *

As of April 24, 1964 the undersigned firm held 69,000 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for one beneficial owner.

French & Co.

By /s/ R. H. LaFleur
Partner

COPY

[fol. 1182]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Gerrish & Company
c/o State Street Bank & Trust Co.
Trust Department
Corner State & Congress Streets
Boston 1, Mass.

* * * * * * * *

As of April 24, 1964 the undersigned firm held 19,344 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 10 beneficial owners.

Gerrish & Company

By /s/ Gerrish & Company

[fol. 1183]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Gill & Co.
c/o Fiduciary Trust Company of New York
1 Wall Street
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 45,151 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 18 beneficial owners.

Gill & Co.

By /s/ Anne Ziegler

[fol. 1184]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Goodbody & Co.
2 Broadway
New York 4, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 76,116 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 537 beneficial owners.

Goodbody & Co.

By /s/ F. X. Prior
Asst. Cashier

COPY

[fol. 1185]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Gracechurch Co.
120 Broadway
New York, N.Y.

• • • • • • •

As of April 24, 1964 the undersigned firm held 5,013 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 11 beneficial owners.

Gracechurch Co.

By /s/. (Signature illegible)
partner

COPY

[fol. 1186]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Granberry Marache & Co.
67 Wall Street
New York, N.Y.

Att: Mr. Samuel Glassman
Proxy Dept.

• • • • • • •

As of April 24, 1964 the undersigned firm held 7,497 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 44 beneficial owners.

Granbery Marache & Co.

By /s/ JAMES P. NEWELL

[fol. 1187]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Granger & Company
111 Broadway
New York 6, N.Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 7,098 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 37 beneficial owners.

Granger & Company

By /s/ Granger & Co.

[fol. 1188]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Gruntal & Co.
50 Broadway
New York 4, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 8,641 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 43 beneficial owners.

Gruntal & Co.

By /s/ Melville Cohn

COPY

[fol. 1189]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Gude Winmill & Co.
1 Wall Street
New York 5, N.Y.

• • • • • • •

As of April 24, 1964 the undersigned firm held 21,733 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 88 beneficial owners.

Gude Winmill & Co.

By /s/ J. GELARD

[fol. 1190]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Gunther & Co.
15 Nassau Street
New York 5, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 16,048 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 20 Account holdings.

Gunther & Co.

By /s/ GUNTHER & Co.
Cashier

COPY

[fol. 1191]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

G. C. Haas & Co.
65 Broadway
New York 6, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 10,553 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 32 beneficial owners.

G. C. Haas & Co.

By /s/ T. P. Kingston

COPY

[fol. 1192]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

F. J. Haffner & Co.
c/o The Cleveland Trust Co.
Corporate Trust Department
916 Euclid Avenue
Cleveland 1, Ohio

* * * * * * *

As of April 24, 1964 the undersigned firm held 13,000 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for one beneficial owner.

F. J. Haffner & Co.

By /s/ (Signature illegible)
A Partner

[fol. 1193]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Halle & Stieglitz
52 Wall Street
New York, N.Y.

* * * * * * * *

As of April 24, 1964 the undersigned firm held 6,566 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 46 beneficial owners.

Halle & Stieglitz
By /s/ J F

[fol. 1194]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Harbison & Henderson
210 West 7th Street
Los Angeles 14, California

* * * * * * * *

As of April 24, 1964 the undersigned firm held 5,725 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 15 beneficial owners.

Harbison & Henderson
By /s/ (Signature illegible)

[fol. 1195]

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK
Founded 1784 by Alexander Hamilton
48 Wall Street
New York 15, N. Y.

Mr. John Evans
El Paso Natural Gas Co.
1 Chase Manhattan Plaza
New York, N. Y.

January 8, 1965

Dear Mr. Evans:

Mr. L. Guy Palmer of our Investment Counsel Department has requested that we provide you with the number of accounts for which we hold shares of El Paso Natural Gas Co. Common Stock registered in the names of our various nominees. I hope the information below will provide you with the data you require:

BNY NOMINEE	SHARES HELD	No OF ACCOUNTS
HARE & Co	81,752	36
WILLIAMS & Co	10,337	5
~~Birney & Co.~~	~~6,650~~	~~5~~
LERCHE & Co	18,980	11
WAY & Co	6,513	19
~~COX & Co.~~	~~400~~	~~2~~
TOTALS	124,632	~~78~~ 71

If we can be of any further assistance, please give me a call.

Very truly yours,

/s/ WALTER H. CUSHMAN
Walter H. Cushman, Mgr.
Trust Operations

WHC:clr
CC: L. G. Palmer

[fol. 1196]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

Harris Upham & Co. December 24, 1964
120 Broadway
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 222,419 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 1265 beneficial owners.

Harris Upham & Co.

By /s/ Wm. M. Ebetty

COPY

[fol. 1197]

[Emblem]

HAYDEN, STONE
INCORPORATED—ESTABLISHED 1892
MEMBERS NEW YORK STOCK EXCHANGE
25 BROAD STREET
New York, New York 10004
TELEPHONE DIGBY 4-6700

Mr. John Evans January 4, 1965
El Paso Natural Gas Co.
1 Chase Manhattan Plaza
New York, N. Y.

Dear Sir:

In reply to your recent inquiry, I wish to advise that as of April 24, 1964 we had 287 beneficial holders of the stock of your company.

Very truly yours,

/s/ WALTER E. MEEHAN
Walter E. Meehan,
Proxy Dept.

WEM/bd

[fol. 1198]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Heil & Co.
45 Wall Street
New York 5, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 16,400 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 11 beneficial owners.

Heil & Co.
A nominee of the United States Trust Company of New York

By /s/ (Signature illegible)
Assistant Vice President and Auditor

COPY

[fol. 1199]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Hemphill Noyes & Co.
8 Hanover Street
New York 4, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 13344 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 70 beneficial owners.

Hemphill Noyes & Co.

By /s/ Joseph McTague

COPY

[fol. 1200]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

H. Hentz & Co.
72 Wall Street
New York 5, New York

December 24, 1964

• • • • • • • •

As of April 24, 1964 the undersigned firm held 90612 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 307 beneficial owners.

H. Hentz & Co.

By /s/ Alvin Schonfeld
Partner

[fol. 1201] You previously advised the Justice Department that one or more of your accounts beneficially owned 5,000 shares or more. Please state in the following blank the aggregate number of shares owned by all accounts which owned 5,000 shares or more. 36,200.

[fol. 1202]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

Herzfeld & Stern
30 Broad Street
New York 4, New York

Att: Mr. Earl Bronstein

December 24, 1964

• • • • • • • •

15,753
As of April 24, 1964 the undersigned firm held 9,498 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 87 beneficial owners.

Herzfeld & Stern

By /s/ Ira M. Pike
Partner

[fol. 1203]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Hirsch & Co.
25 Broad Street
New York 4, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 25,133 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 159 beneficial owners.

Hirsch & Co.

By /s/ Hirsch & Co.
/s/ J. Simpkins

[fol. 1204]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Hoppin Bros. & Co.
120 Broadway
New York 5, New York

Att: Mr. Charles Simmons

* * * * * * *

As of April 24, 1964 the undersigned firm held 7,248 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 32 beneficial owners.

Hoppin Bros. & Co.

By /s/ Charles Simmons

[fol. 1205]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Hornblower & Weeks
1 Chase Manhattan Plaza
New York, N. Y. 10005

* * * * * * *

As of April 24, 1964 the undersigned firm held 46,996 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 252 beneficial owners.

HORNBLOWER & WEEKS

By /s/ A. E. GEHNRICH

[fol. 1206]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Houston & Co.
C/O Bank of the Southwest
Trust Dept.
P. O. Box 2629
Houston 1, Texas

* * * * * * *

As of April 24, 1964 the undersigned firm held 95,761 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 20 beneficial owners.

HOUSTON & Co.

By /s/ (Signature illegible)
Trust Officer

COPY

[fol. 1207]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

How & Company
C/O The Northern Trust Co.
Trust Dept.
Chicago 90, Illinois

• • • • • • •

As of April 24, 1964 the undersigned firm held 6,910 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 26 beneficial owners.

How & Company

By /s/ How & Company

COPY

[fol. 1208]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Wayne Hummer & Co.
105 W. Adams Street
Chicago 90, Illinois

• • • • • • •

As of April 24, 1964 the undersigned firm held 6,540 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 41 beneficial owners.

Wayne Hummer & Co.

By /s/ (Signature illegible)

COPY

[fol. 1209]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Hurley & Co.
55 Wall Street
New York, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 11,807 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 32 beneficial owners.

HURLEY & Co.

By /s/ (Signature illegible)
A Partner

COPY

[fol. 1210]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

E. F. Hutton & Co., Inc.
61 Broadway
New York 6, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 116,605 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 786 beneficial owners.

E. F. HUTTON & Co., INC.

By /s/ (Signature illegible)

[fol. 1211]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

W. E. Hutton & Co.
14 Wall Street
New York, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 24,536 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 120 beneficial owners.

approximately

W. E. Hutton & Co.

By /s/ Thomas Olney Rockefeller

[fol. 1212]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Josephthal & Co.
120 Broadway
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 12,752 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 51 beneficial owners.

Josephthal & Co.

By /s/ (Signature illegible)

[fol. 1213]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

Kane & Co. December 24, 1964
c/o The Chase Manhattan Bank
P. O. Box 1508
Church Street Station
New York 8, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 32,722 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 27 beneficial owners.

KANE & Co.
By /s/ KANE & Co.

COPY

[fol. 1214]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

Kidder Peabody & Co. December 24, 1964
20 Exchange Place
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 11,066 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 41 beneficial owners.

KIDDER PEABODY & Co.
INCORPORATED
By /s/ STEPHEN M. ASPELL
Asst. Treas.

(Victor Jones looked up acc.)

ACB

COPY

[fol. 1215]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

King & Co.
c/o First National City Bank
20 Exchange Place
New York 15, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 64,467 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 77 beneficial owners.

KING & Co.

By /s/ (Signature illegible)
A Partner

COPY

[fol. 1216]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Ladenburg Thalmann & Co.
25 Broad Street
New York 4, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 16,440 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 20 beneficial owners.

LADENBURG THALMANN & Co.

/s/ W. KRAUS

COPY

[fol. 1217]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Laidlaw & Co.
25 Broad Street
New York 4, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 16,137 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 96 beneficial owners.

LAIDLAW & Co.

By LAIDLAW & Co.
25 Broad Street
New York 4, N. Y.

[fol. 1218]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Laird Bissell & Meeds
Du Pont Building
Wilmington, Delaware

• • • • • • •

As of April 24, 1964 the undersigned firm held 9,369 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 69 beneficial owners.

LAIRD BISSELL & MEEDS

By /s/ A. H. FOULK

COPY

[fol. 1219]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Lamson Bros. & Co.
141 W. Jackson Blvd.
Chicago, Illinois

* * * * * * *

As of April 24, 1964 the undersigned firm held 8,703 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 61 beneficial owners.

LAMSON BROS. & Co.

By /s/ JOHN J. SPAK

[fol. 1220]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Lang & Co.
1000 4th Ave. South
Seattle 4, Washington

* * * * * * *

As of April 24, 1964 the undersigned firm held 8,000 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for one beneficial owners.

LANG & Co.

By /s/ A. E. LANG

[fol. 1221]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Cyrus J. Lawrence & Sons
115 Broadway
New York 6, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 6,987 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 12 beneficial owners.

CYRUS J. LAWRENCE & SONS

By .....

COPY

[fol. 1222]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Lazard Freres & Co.
44 Wall Street
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 7,291 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 5 beneficial owners.

LAZARD FRERES & Co.

By /s/ (Signature illegible)

COPY

[fol. 1223]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Leeds & Company
c/o City Trust Company
Trust Dept.
P.O. Box 271
Bridgeport 1, Connecticut

• • • • • • •

As of April 24, 1964 the undersigned firm held 6,695 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 14 beneficial owners.

LEEDS & COMPANY

By /s/ LEEDS & COMPANY

COPY

[fol. 1224]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Carl M. Loeb Rhoades & Co.
42 Wall Street
New York 5, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 43,881 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 127 beneficial owners.

Carl M. Loeb Rhoades & Co.

By /s/ J. PAGET

[fol. 1225]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Lot & Co.
P. O. Box 1447
Boston, Mass: 02106

• • • • • • •

As of April 24, 1964 the undersigned firm held 5,388 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 2 beneficial owners.

Lot & Co.

By /s/ (Signature illegible)

[fol. 1226]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

McDonnell & Co., Incorporated
120 Broadway
New York, New York 5

• • • • • • •

As of April 24, 1964 the undersigned firm held 17,857 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 98 beneficial owners.

McDonnell & Co., Incorporated

By McDonnell & Co.,
Incorporated
120 Broadway, N.Y.C. 5, N.Y.

[fol. 1227]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Mabon & Company
115 Broadway
New York, New York

Att: Mr. Gene Lefkowitz

• • • • • • • •

As of April 24, 1964 the undersigned firm held 9,578 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 40 beneficial owners.

MABON & COMPANY

By /s/ GENE LEFKOWITZ
Gene Lefkowitz
Proxy Clerk

[fol. 1228]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Merrill Lynch, Pierce, Fenner & Smith
70 Pine Street
New York 5, N. Y.

• • • • • • • •

As of April 24, 1964 the undersigned firm held 741,738 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 4907 beneficial owners.

Merrill Lynch, Pierce, Fenner & Smith

By /s/ (Signature illegible)

[fol. 1229]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Mitchell Hutchins & Co.
231 S. LaSalle St.
Chicago, Illinois

* * * * * * *

As of April 24, 1964 the undersigned firm held 11,785 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 58 beneficial owners.

Mitchell Hutchins & Co.

By /s/ James F. Libar

[fol. 1230]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Model Roland & Co.
120 Broadway
New York 5, N. Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 7,099 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 35 beneficial owners.

Model Roland & Co.

By /s/ R. Hirschfeld
Model, Roland & Co.
120 Broadway
New York 5, N. Y.

COPY

[fol. 1231]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Montgomery Scott & Co.
120 Broadway
New York 5, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 9,712 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 44 beneficial owners.

Montgomery Scott & Co.

By /s/ GEORGE R. JACK
Proxy Dept.

COPY

[fol. 1232]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Moore & Schley
120 Broadway
New York 5, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 7,011 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 17 beneficial owners.

Moore & Schley

By /s/ (Signature illegible)

[fol. 1233]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Nap & Co.
13 South Street
Baltimore 2, Maryland

* * * * * * *

As of April 24, 1964 the undersigned firm held 5,700 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 4 beneficial owners.

NAP & Co.

By /s/ NAP & Co.

[fol. 1234]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Nay & Co.
P.O. Box 2451
Terminal Annex
Los Angeles 54, California

* * * * * * *

As of April 24, 1964 the undersigned firm held 10,133 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 29 beneficial owners.

NAY & Co.

By /s/ NAY & Co.

COPY

[fol. 1235]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Newburger Loeb & Co.
5 Hanover Square
New York 4, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 20,695 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 99 beneficial owners.

Newburger Loeb & Co.

By /s/ (Signature illegible)
Partner

COPY

[fol. 1236]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Obie & Co.
0090
P.O. Box 2558
Houston 1, Texas

* * * * * * *

As of April 24, 1964 the undersigned firm held 5,857 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 7 beneficial owners.

Obie & Co.

By /s/ W. Warren Beers

COPY

[fol. 1237]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Oppenheimer Newborg & Neu
120 Broadway
New York 5, N. Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 5,147 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 35 beneficial owners.

Oppenheimer Newborg & Neu

By /s/ (Signature illegible)

[fol. 1238]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

J. C. Orr & Co.
c/o Chemical Bank New York Trust Co.
Church St. Station P. O. Box 1368
New York 8, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 51,036 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 24 beneficial owners.

J. C. Orr & Co.

By /s/ (Signature illegible)

[fol. 1239] You previously advised the Justice Department that one or more of your accounts beneficially owned 5,000 shares or more. Please state in the following blank the aggregate number of shares owned by all accounts which owned 5,000 shares or more. .....

	# OF ACCOUNTS	# OF SHARES
J. C. ORR & Co.	3	43,603

[fol. 1240]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Orrin Henry & Co.
c/o Irving Trust Company
Custodian Dept.
1 Wall Street
New York 5, N.Y.

• • • • • • •

As of April 24, 1964 the undersigned firm held 10141 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 36 beneficial owners.

Orrin Henry & Co.
IRVING TRUST COMPANY

By /s/ R. A. HICK

[fol. 1241]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Orvis Bros. & Co.
30 Broad Street
New York 4, New York

Att: Mr. C. B. Holt

• • • • • • •

As of April 24, 1964 the undersigned firm held 10,536 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 56 beneficial owners.

Orvis Bros. & Co.

By /s/ GEORGE HOHORST

[fol. 1242]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Paine, Webber, Jackson & Curtis
25 Broad Street
New York 4, New York

Att: Mr. G. W. Szalay
Proxy Dept.

• • • • • • •

As of April 24, 1964 the undersigned firm held 84,146 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 439 beneficial owners.

Paine, Webber, Jackson & Curtis

By /s/ G. W. SZALAY

[fol. 1243]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Pershing & Co.
120 Broadway
New York, N.Y.

* * * * * * * *

As of April 24, 1964 the undersigned firm held 25102 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 25 beneficial owners.

Pershing & Co.

By /s/ (Signature illegible)

COPY

[fol. 1244]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Powers & Co.
P. O. Box 1479
Church Street Station
New York 8, New York

* * * * * * * *

As of April 24, 1964 the undersigned firm held 5810 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 12 beneficial owners.

Powers & Co.

By /s/ R. W. Post

[fol. 1245]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Rauscher Pierce & Co., Inc.
1200 Mercantile Dallas Bldg.
Dallas 1, Texas

* * * * * * *

As of April 24, 1964 the undersigned firm held 6231 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 31 beneficial owners.

Rauscher Pierce & Co., Inc.

By /s/ W. H. Pearson

COPY

[fol. 1246]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Reffell & Co.
52 Wall Street
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 8265 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 11 beneficial owners.

Reffell & Co.

By /s/ (Signature illegible)
Partner

COPY

[fol. 1247]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Reynolds & Co.
120 Broadway
New York 5, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 120711 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 765 beneficial owners.

Reynolds & Co.

By /s/ SAL CULANESE

[fol. 1248]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

C. B. Richard & Co.
50 Broadway
New York, N.Y. 4

• • • • • • •

As of April 24, 1964 the undersigned firm held 6951 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 40 beneficial owners.

C. B. Richard & Co.

By /s/ J. S. POMERANZ
Proxy Dept.

COPY

[fol. 1249]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Wm. C. Roney & Co.
812 Buhl Bldg.
Detroit 26, Michigan

• • • • • • •

As of April 24, 1964 the undersigned firm held 9806 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 44 beneficial owners.

Wm. C. Roney & Co.

By /s/ (Signature illegible)

[fol. 1250]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

L. F. Rothschild & Co.
120 Broadway
New York 5, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 13233 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 73 beneficial owners.

L. F. Rothschild & Co.

By /s/ A. H. Geier

COPY

[fol. 1251]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Rowe & Co.
c/o Industrial National Bank of Providence
100 Westminster Street
Providence, Rhode Island

* * * * * * * *

As of April 24, 1964 the undersigned firm held 5141 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 11 beneficial owners.

Rowe & Co.

By /s/ Harold C. MacKinney, Jr.

[fol. 1252]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Rush & Co.
25 Pine Street
New York 5, N. Y.

* * * * * * * *

As of April 24, 1964 the undersigned firm held 19333 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 21 beneficial owners.

Rush & Co.

By /s/ Rush & Co.
J. W. Ingeles—Partner

COPY

[fol. 1253]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Sandrisser & Co.
52 Wall Street
New York 5, N. Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 5469 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 10 beneficial owners.

Sandrisser & Co.

By /s/ Sandrisser & Co.

[fol. 1254]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Sargent & Co.
c/o Second Bank State Street Trust Co.
Trust Dept.
State Street
Boston, Mass.

* * * * * * *

As of April 24, 1964 the undersigned firm held 5556 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 7 beneficial owners.

Sargent & Co.

By /s/ Sargent & Co.

[fol. 1255]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Sartorius & Co.
39 Broadway
New York 6, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 13254 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 66 beneficial owners.

Sartorius & Co.

By /s/ M. K. Howell
Proxy Clerk

[fol. 1256]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Schmidt & Co.
P. O. Box 1479
Church Street Station
New York 8, N. Y.

• • • • • • •

As of April 24, 1964 the undersigned firm held 31531 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 13 beneficial owners.

Schmidt & Co.

By /s/ R. W. Post

[fol. 1257]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Schwabacher & Co.
25 Broad Street
New York 4, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 6974 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 59 beneficial owners.

Schwabacher & Co.

By /s/ K. E. Lawrence

[fol. 1258]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Scott and Company
P. O. Box 1479
Church Street Station
New York 7, N. Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 5350 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 3 beneficial owners.

Scott and Company

By /s/ R. W. Post

[fol. 1259]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Share & Co.
c/o Brown Brothers Harriman & Co.
10 Post Office Square
Boston, Mass.

* * * * * * *

As of April 24, 1964 the undersigned firm held 40,000 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for one beneficial owners.

SHARE & Co.

By /s/ G. T. RATTNER
A Partner

COPY

[fol. 1260]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Shearson Hammill & Co.
14 Wall Street
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 35,257 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 182 beneficial owners.

SHEARSON HAMMILL & Co.

By /s/ (Signature illegible)

[fol. 1261]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Shields & Co.
44 Wall Street
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 8,140 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 58 beneficial owners.

SHIELDS & CO.

By /s/ R. SCHULZ

[fol. 1262]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Sigler & Co.
c/o The Hanover Bank
70 Broadway
New York 15, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 80,311 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 98 beneficial owners.

SIGLER & CO.

/s/ M. WINNEGAN
MANUFACTURERS HANOVER TRUST COMPANY

[fol. 1263]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Sincere & Co.
208 S. La Salle Street
Chicago 4, Illinois

* * * * * * *

As of April 24, 1964 the undersigned firm held 7,454 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 44 beneficial owners.

SINCERE & Co.

By /s/ R. SCHETTO
Attorney

[fol. 1264]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

A. L. Stamm & Co.
120 Broadway
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 8,097 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for (51) beneficial owners.

A. L. STAMM & Co.

By /s/ G. D. MADDEN

[fol. 1265]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Steiner Rouse & Co.
19 Rector Street
New York 6, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 14,717 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 85 beneficial owners.

STEINER ROUSE & Co.

By /s/ JOHN A. MASTANDREA

[fol. 1266]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Tegge & Co.
P. O. Box 1479
Church Street Station
New York 8, N. Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 24,225 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 15 beneficial owners.

TEGGE & Co.

By /s/ R. W. POST

[fol. 1267]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Tepe & Co.
P. O. Box 1479
Church Street Station
New York 8, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 9,610 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 29 beneficial owners.

TEPE & Co.

By /s/ R. W. POST

[fol. 1268]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Tewes & Co.
P. O. Box 1479
Church Street Station
New York 8, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 30,609 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 13 beneficial owners.

TEWES & Co.

By /s/ R. W. POST

[fol. 1269]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Textor & Co.
P. O. Box 2380
Church St. Station
New York 8, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 7,200 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 9 beneficial owners.

TEXTOR & Co.

By /s/ TEXTOR & Co.

COPY

[fol. 1270]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Thomson & McKinnon
11 Wall Street
New York 5, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 56,150 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 372 beneficial owners.

THOMSON & MCKINNON

By /s/ PETER E. BEGGAINS

[fol. 1271]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Tucker Anthony & R. L. Day
120 Broadway
New York, New York

• • • • • • •

As of April 24, 1964 the undersigned firm held 5,537 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 37 beneficial owners.

TUCKER, ANTHONY & R. L. DAY

By /s/ (Signature Illegible)

[fol. 1272]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

G. H. Walker & Co.
503 Locust Street
St. Louis 1, Missouri

• • • • • • •

As of April 24, 1964 the undersigned firm held 8,908 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 72 beneficial owners.

G. H. WALKER & Co.

By /s/ (Signature Illegible)

[fol. 1273]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Walston & Co., Inc.
Lock Box 1809 C S S
New York, N. Y. 10008

* * * * * * *

As of April 24, 1964 the undersigned firm held 110,648 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 774 beneficial owners.

WALSTON & CO., INC.

By /s/ SAMUEL A. GAY
SAMUEL A. GAY
Vice President
12/29/64

[fol. 1274]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Watling Lerchen & Co.
Third Floor Ford Bldg.
Detroit 26, Michigan

* * * * * * *

As of April 24, 1964 the undersigned firm held 5925 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 40 beneficial owners.

WATLING LERCHEN & Co.

By /s/ (Signature Illegible)

COPY

[fol. 1275]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

T. L. Watson & Co.
25 Broad Street
New York 4, New York

* * * * * * * *

As of April 24, 1964 the undersigned firm held 5,034 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 120 beneficial owners.

T. L. Watson & Co.

By /s/ Nicholas Arrigah

[fol. 1276]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Wayco & Company
c/o Wayne County National Bank
Trust Dept.
Wooster, Ohio

* * * * * * * *

As of April 24, 1964 the undersigned firm held 5,470 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 32 beneficial owners.

Wayco & Company

By /s/ (Signature illegible)

[fol. 1277]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

A. A. Welsh & Company
Box 6147
Cleveland 1, Ohio

* * * * * * * *

As of April 24, 1964 the undersigned firm held 10,600 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 20 beneficial owners.

A. A. Welsh & Company

By /s/ E. M. Wagner
A Partner

COPY

[fol. 1278]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

W. A. & A. M. White
20 Broad Street
New York 5, New York

* * * * * * * *

As of April 24, 1964 the undersigned firm held 36,608 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 26 beneficial owners.

W. A. & A. M. White

By /s/ Robert Allen
Partner

COPY

[fol. 1279]

[Letterhead of White, Weld & Co. of New York, N. Y.]

December 30, 1964

El Paso Natural Gas Company
One Chase Manhattan Plaza
New York 5, New York

Attention: Mr. John M. Evans
Associate General Counsel

Dear Sirs:

We refer to your letter of December 24, 1964, relating to shares of El Paso Natural Gas Company, Common Stock, registered in our name on April 24, 1964.

While 143,223 shares of El Paso were registered in our name on April 24, 1964, we are able to account for only 141,951 shares. We were carrying these shares for the accounts of 110 beneficial owners.

We previously advised the Justice Department that one or more of our accounts beneficially owned 5,000 shares or more. The aggregate number of shares owned by all accounts which own 5,000 shares or more was 76,644.

If we can be of any further assistance, please call on the undersigned.

Very truly yours,

WHITE, WELD & Co.
By /s/ PHILIP M. NEAGLE
General Partner

PMN:mb

[fol. 1280]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

White Weld & Co.
P. O. Box 65
Bowling Green Station
New York 4, New York

* * * * * * *

As of April 24, 1964 the undersigned firm held 143,223 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for .... beneficial owners.

WHITE WELD & Co.

By .....

COPY

[fol. 1281]

[Letterhead of El Paso Natural Gas Company
of New York, N. Y.]

December 24, 1964

Wiggin & Company
c/o Harvard Trust Co.
Box 149
Cambridge, Mass.

* * * * * * *

As of April 24, 1964 the undersigned firm held 10,164 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 9 beneficial owners.

WIGGIN & COMPANY

By /s/ J. R. O'NEILL
Trust Operations Officer

COPY

[fol. 1282]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Winslow Cohu & Stetson Inc.
26 Broadway
New York, N. Y.

* * * * * * *

As of April 24, 1964 the undersigned firm held 11,930 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 33 beneficial owners.

WINSLOW COHU & STETSON INC.

By /s/ FSK
FRANK S. KMETZ

COPY

[fol. 1283]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

Dean Witter & Co. December 24, 1964
2 Broadway
New York, New York

* * * * * * *

As of April 30, 1964 the undersigned firm held 65,349 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 359 beneficial owners.

1 Shareholder owns over 5,000 shares.

DEAN WITTER & Co.

By /s/ FRANK BRITTO
Manager, Share Owner
Relations Dept.

COPY

[fol. 1284]

[Letterhead of El Paso Natural Gas Company of New York, N. Y.]

December 24, 1964

Wood Walker & Co.
63 Wall Street
New York 5, N. Y.

* * * * * * * *

As of April 24, 1964 the undersigned firm held 7,492 shares of El Paso Natural Gas Company Common Stock registered in the name of said firm for 51 beneficial owners.

Wood Walker & Co.

By /s/ Stanley Mintz
Proxy Rep.

[fol. 1]

In United States District Court

For the District of Utah

Central Division

April 6, 1965

John F. Davis, Clerk
Office of the Clerk
Supreme Court of the United States
Washington, D. C. 20543

Re: U. S. vs. El Paso Natural Gas Co., et al C 143-57

Dear Mr. Davis:

Enclosed is Transcript of Record in the above-entitled case, being copies of the original documents filed in this court dating from the Judgment of the Supreme Court

of the United States dated April 6, 1964. The record prior to that date is still in your possession, Your Number 94, October Term, 1963, and is composed of the original documents.

Also enclosed are the reporter's Transcripts of Proceedings as follows: July 8, 1964, October 19, 1964, December 2, 3, 4, 8, 9, 10, 11, 1964, January 25, 27, 1965, and February 3, 4, 1965. Also enclosed is a copy of the Civil Docket dating from April 6, 1964, and a copy of the Exhibit Schedule listing Plaintiff's and Defendants' Exhibits.

Copies of the Exhibits are being forwarded under separate cover as follows: Plaintiff's Exhibits 1 through 23; Defendants' Exhibits A through M and S; N, O, P and Q are not included.

Attorneys listed in the case together with their addresses are as follows:

Intervenors-Appellants:

William M. Bennett, Esq., Special Counsel for the People of the State of California, Room 5068 State Building, San Francisco, California

Jones, Grey, Kehoe, Hooper & Olsen, Norton Building, Seattle, Washington 98104

Plaintiff-Appellee:

William T. Thurman, Esq., U. S. Attorney, 200 U. S. Post Office and Courthouse, Salt Lake City, Utah

Jack L. Lipson, Esq., and Larry L. Williams, Esq., Antitrust Division, Department of Justice, Washington 25, D. C.

[fol. 2] *Defendants-Appellees*:

Gregory A. Harrison, Esq., Brobeck, Phleger & Harrison, 111 Sutter Street, San Francisco, California

Dennis McCarthy, Esq., Van Cott, Bagley, Cornwall & McCarthy, 65 South Main, Salt Lake City, Utah
Leon M. Payne, Esq., Andrews, Keith, Campbell & Jones, 25th Floor Humble Building, Houston, Texas
A. H. Nebeker, Esq., Ray, Quinney & Nebeker, 300 Deseret Building, Salt Lake City, Utah
Arthur H. Dean, Esq., Sullivan & Cromwell, 48 Wall Street, New York, N. Y.

Yours very truly,

ANDREW JOHN BRENNAN, CLERK

rb

[fol. 3]

IN UNITED STATES DISTRICT COURT

Law offices of

JONES, GREY, KEHOE, HOOPER & OLSEN
Norton Building
Seattle, Washington 98104

April 13, 1965

The Honorable Willis W. Ritter
Chief Judge
United States District Court
District of Utah, Central Division
Federal Post Office Building
Salt Lake City, Utah

Re: United States v. El Paso Natural Gas Company, et al., Civil No. 143-57—Our File No. 4955-F-(14)(d)

Dear Judge Ritter:

We are in receipt of a copy of Mr. Harrison's letter to you dated April 8, 1965, in which he states that El Paso is content to submit the matter of Cascade's "Petition for Order Enlarging Time for Docketing Case" for decision

upon Cascade's moving papers, our letter to you dated April 7 and his letter. Cascade too is content to submit the matter on the basis of those papers and this communication.

Cascade's reasons for its Petition are clearly stated therein. They do not include contriving "a device to convert Cascade's appeal from the order denying intervention into an appeal from any final decree entered by the Court which displeases Cascade," because Cascade is not in need of such a "device." The precedents indicate to us that whether or not the Petition is granted, Cascade's appeal will extend to the merits of the divestiture decree as they affect Cascade. Where intervention is claimed of right, the inquiry of the Supreme Court extends to the merits. *Sutphen Estates* v. *United States,* 342 U.S. 19, 72 S.Ct. 14, 96 L.Ed. 19 (1951). Moreover, the Supreme Court has heretofore treated the appeal of a would-be intervenor whose application has been denied as an appeal from a final decree on the merits in an antitrust matter subject to the Expediting Act. *Allen Calculators, Inc.* v. *National Cash Register Co.,* 322 U.S. 137, 88 L.Ed. 1188, 64 S.Ct. 905 (1944) reh. den. 322 U.S. 771, 88 L.Ed. 1596, 64 S.Ct. 1257, 15 ALR 2d 334, 341.

[fol. 4] We ask that our Petition be granted.

Respectfully submitted

Jones, Grey, Kehoe, Hooper & Olsen

By /s/ W. C. Anderson
W. C. Anderson

Attorneys for Cascade Natural Gas Corporation

WCA:bc
cc: Mr. Gregory A. Harrison
Mr. Dennis McCarthy
Mr. Leon M. Payne
Federal Power Commission
Solicitor General

[fol. 5]

IN UNITED STATES DISTRICT COURT

BROBECK, PHLEGER & HARRISON
Attorneys at Law
ONE ELEVEN SUTTER STREET
SAN FRANCISCO 94104
SUTTER 1-0666

April 8, 1965

Honorable Willis W. Ritter,
Chief Judge,
United States District Court,
District of Utah,
Central Division,
Federal Post Office Building,
Salt Lake City, Utah.

Re: United States v. El Paso Natural Gas Company—Civil No. 143-57.

Dear Judge Ritter:

Cascade Natural Gas Corporation has filed a "Petition for Order Enlarging Time for Docketing Case" seeking leave to delay docketing its appeal to the Supreme Court from the order denying its application to intervene until 60 days after the Court has entered a divestiture decree.

One of the grounds relied on in the petition is that "due to various circumstances, including illnesses in the Clerk's Office" the Clerk will be unable to forward a transcript of the record to the Supreme Court Clerk within the time provided for docketing the appeal. However, by their letter [fol. 6] of April 7, 1965, counsel for Cascade acknowledge that the transcript has been forwarded to the Supreme Court Clerk and, therefore, that this ground is without merit. All that remains to docket the appeal is for Cascade

to file its printed jurisdictional statement in the Supreme Court and pay the docketing fee.

Counsel state that Cascade wishes, nevertheless, to have its time to docket extended until after a divestiture decree is entered.

The order appealed from is the order of this Court denying Cascade's application to intervene. Cascade is not a party to the action and is without standing or other right to appeal from any decree the Court will enter.

It appears from the petition, and counsels' letter of April 7, that the petition is simply a device to convert Cascade's appeal from the order denying intervention into an appeal from any final decree entered by the Court which displeases Cascade.

The petition thus asks the Court to recognize not only that Cascade has standing as a party but also that it has the right to appeal from a decree entered by the Court in the future. This is directly contrary to the Court's [fol. 7] order already entered that Cascade is not entitled to become a party in intervention.

We find nothing to support Cascade in the summary denial by the Supreme Court of Mr. Bennett's application for a stay of proceedings in the action, especially since Cascade's counsel concede that any similar application by Cascade also would be denied.

The trial of the divestiture issues has been concluded and the matter has been submitted to the Court for decision. Any question respecting Cascade's right to intervene has become moot.

Cascade has been notably dilatory in prosecuting its appeal. It filed its notice of appeal on almost the last day permitted by law and the 60-day period provided by the Supreme Court Rules for docketing its appeal has nearly expired. Cascade's purpose and intent is clear. It never

intended to pursue its appeal from the order denying intervention but delayed prosecuting the appeal awaiting this Court's divestiture decree, intending to appeal from the decree as though it had intervened and become a party.

Since the time remaining under the Supreme Court Rules for docketing will expire in a little more than two weeks, [fol. 8] El Paso is content to submit the matter to this Court for decision upon Cascade's moving papers, the letter of Cascade's counsel dated April 7, and this communication.

We ask that the petition be denied.

Respectfully submitted,

/s/ GREGORY A. HARRISON
Attorney for Defendant
El Paso Natural Gas Company

GAH:np

cc: The Solicitor General,
Department of Justice,
Washington, D.C.

William H. Orrick, Esq.,
Assistant Attorney General,
Department of Justice,
Washington 25, D.C.

Larry L. Williams, Esq.,
Antitrust Division,
Department of Justice,
Washington 25, D.C.

Lawrence F. Noble, Esq.,
Antitrust Division,
Department of Justice,
Washington 25, D.C.

William T. Thurman, Esq.,
United States Attorney,
200 Courthouse & P.O. Bldg.,
Salt Lake City, Utah.

A. H. Nebeker, Esq.,
Ray, Quinney & Nebeker,
300 Deseret Building,
Salt Lake City, Utah 84111.

Richard A. Solomon, Esq.,
General Counsel,
Federal Power Commission,
441 G Street Northwest,
Washington, D.C.

William I. Harkaway, Esq.,
Federal Power Commission,
441 G Street Northwest,
Washington, D.C.

Messrs. Jones, Grey, Kehoe,
Hooper & Olsen,
Norton Building,
Seattle, Washington 98104.

[fol. 9]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

UNITED STATES OF AMERICA, Plaintiff,

vs.

EL PASO NATURAL GAS COMPANY and PACIFIC NORTHWEST PIPELINE CORPORATION, Defendants.

ORDER—April 16, 1965

It Is Ordered that the Petition for Order Enlarging Time for Docketing Case filed herein by Cascade Natural Gas Corporation be and said Petition is hereby denied.

Willis W. Ritter, Chief United States District Judge.

[File endorsement omitted]

[fol. 10]

UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

Salt Lake City, Utah
April 16, 1965

NOTICES (RULE 77(d)) MAILED TO COUNSEL OF RECORD OF ORDER DENYING PETITION, ETC.

To:

Jack L. Lipson, Esq., Department of Justice, Washington, D. C.
Wm. T. Thurman, Esq., U. S. Attorney, 200 P. O. & Courthouse Bldg., Salt Lake City
Gregory A. Harrison, Esq., 111 Sutter Street, San Francisco, California
Van Cott, Bagley, Cornwall & McCarthy, 141 East 1st South, Salt Lake City, Utah
Ray, Quinney & Nebeker, Deseret Bldg., Salt Lake City, Utah
Arthur H. Dean, 48 Wall Street, New York City, New York
Leon M. Payne, Esq., 2200 Gulf Bldg., Houston, Texas

Re: C 143-57

United States of America

vs.

El Paso Natural Gas Company, et al.

Take Notice, in accordance with Rule 77(d) of the Federal Rules of Civil Procedure, you are hereby notified that:

Order ordering that the Petition for Order Enlarging Time for Docketing case filed herein by Cascade Natural Gas Corporation be and said Petition is hereby denied.

was signed by Honorable Willis W. Ritter, and entered in the Docket as of the 16th day of April, 1965.

Andrew John Brennan, Clerk, By: D. Scott, Deputy Clerk.

[fol. 11]

UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

Salt Lake City, Utah
Date: April 16, 1965

To:

Richard B. Hooper, Esq., Jones, Grey, Kehoe, Hooper & Olsen, 1000 Norton Bldg., Seattle 4, Washington

Re: C 143-57

United States of America

vs.

El Paso Natural Gas Company, et al.

Take Notice, in accordance with Rule 77(d) of the Federal Rules of Civil Procedure, you are hereby notified that:

Order denying Cascade Natural Gas Corporation's Petition for Order enlarging time for docketing case

was signed by Honorable Willis W. Ritter on the ..... day of ....., 1965, and entered in the Docket as of the 16th day of April, 1965.

Andrew John Brennan, Clerk, By: D. Scott, Deputy Clerk.

[fol. 12]

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

CENTRAL DIVISION

Civil Action No. 143-57

UNITED STATES OF AMERICA, Plaintiff,

vs.

EL PASO NATURAL GAS COMPANY and PACIFIC NORTHWEST PIPELINE CORPORATION, Defendants.

DECREE FOR DIVESTITURE—Lodged May 24, 1965

Plaintiff filed its complaint herein on July 22, 1957, and its amendment thereto on October 31, 1960. Defendants appeared and filed their answer on November 12, 1957. The action was tried by this Court and on November 20, 1962, a judgment was entered dismissing the action. Plaintiff appealed from the judgment. On April 6, 1964, the Supreme Court of the United States reversed the judgment of this Court and directed it to order divestiture without delay. The mandate of the Supreme Court of the United States was filed in this Court on May 5, 1964. This Decree for Divestiture is for the purpose of establishing an independent gas pipeline company capable of providing future competition to El Paso and other natural gas pipeline companies. This Decree for Divestiture has been agreed to by the parties after extensive hearings and conferences, and the Court.

Now, Therefore, it is hereby Ordered, Adjudged and Decreed:

I.

As used in this Decree:

[fol. 13] (A) "El Paso" shall mean the Defendant El Paso Natural Gas Company;

(B) "Pacific Northwest" shall mean the Defendant Pacific Northwest Pipeline Corporation;

(C) "Person" shall mean an individual, partnership, firm, corporation, association or other legal or business entity;

(D) "Immediate family" shall mean, with reference to any person, the spouse, descendants, ascendants and/or brothers and sisters of such person;

(E) "Natural gas transmission properties" shall mean properties used in the transportation of natural gas by pipeline (other than production, gathering and processing).

II.

In accordance with the mandate of the Supreme Court, this Court finds the acquisition by El Paso of the capital stock and assets of Pacific Northwest is a violation of Section 7 of the Act of Congress of October 15, 1914, entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," commonly known as the Clayton Act, as amended.

III.

This Decree is binding upon the Defendants and their subsidiaries, successors and assigns and each of their officers, directors, agents, employees and all persons in active concert or participation with them who shall have received actual notice of this Decree by personal service or otherwise.

[fol. 14] IV.

The Court has received in evidence, as El Paso's Exhibit A, El Paso's Proposal for Divestiture which contains a plan of divestiture hereafter referred to as the "Plan of Divestiture". After due hearings thereon, this Court finds that the Plan of Divestiture, as modified by this Decree, complies with the mandate of the Supreme Court in this matter, and the Plan of Divestiture, as so modified, is accordingly approved by this Court. El Paso is ordered and directed to commence effectuating the Plan of Divestiture in the following manner:

(A) El Paso is ordered and directed to effect promptly the organization and creation of a corporation, hereafter called "New Company." As soon as practicable New Company shall employ as its chief executive officer a qualified person satisfactory to and approved by Plaintiff, El Paso and the Court, who also shall act as voting trustee as hereinafter provided. New Company and its chief executive officer, as voting trustee, shall each submit to the jurisdiction of this Court as parties and shall file with this Court their agreements to be bound by such orders as may be entered herein;

(B) An Application on behalf of New Company shall be filed with the Federal Power Commission at the earliest practicable date requesting the issuance of a certificate of public convenience and necessity authorizing New Company to acquire, own and operate the properties to be received from El Paso. New Company also shall file with the Federal Power Commission, concurrently with the transfer of assets and liabilities authorized and ordered by subsection (C) of this Section IV, the same tariffs, rates, rules, regulations and other conditions of service then in effect [fol. 15] and applicable to the service to be rendered by New Company, including the agreement of New Company to comply with the provisions of the rate settlement agree-

ment approved by the Federal Power Commission on January 15, 1964. This Decree is not intended to impinge upon whatever jurisdiction the Federal Power Commission may have under the Natural Gas Act with respect to New Company including, without limitation, whatever jurisdiction the Commission may have under said Act with respect to the contracts under tabs 3, 4, 5 and 6 of the Plan of Divestiture.

(C) Upon securing the necessary certificates, authorizations, orders, consents and approvals hereinbefore referred to, El Paso shall promptly divest itself by transfer to New Company of the properties, assets and related liabilities set forth in the Plan of Divestiture. Upon such transfer, New Company shall assume such of El Paso's present bonds and debentures, and shall issue its own bonds and debentures in satisfaction of such obligation to the holders of the bonds and debentures of El Paso, in the amounts and upon the terms provided in the Plan of Divestiture, and shall issue to El Paso all of its capital stock;

(D) Within three years after the transfer of the assets to New Company as herein provided, El Paso shall, consistent with the provisions of Sections V and VI of this Decree, divest itself of all of its legal and equitable right, title and interest in and to said shares of stock in New Company by one of the following methods:

(1) within eighteen (18) months after said transfer, El Paso may accomplish such divestment by distributing at least 80% of the shares of stock in [fol. 16] New Company to such holders of El Paso's Common Stock as shall elect to exchange their shares of El Paso Common Stock for shares in New Company, and who shall own no other shares of Common Stock of El Paso immediately after the exchange, and selling any remaining unexchanged shares of New Company to the public in the manner provided in clause (2) of this subsection (D); or

(2) if El Paso shall not have divested itself of all of its legal right, title and interest in and to said shares of stock in New Company in the manner and within the period of time provided in clause (1), above, then El Paso shall sell the shares of stock in New Company by one or more sales to the public through an underwriter or underwriters, such underwriter or underwriters and any agreement with them (except as to price) to be approved by the Court upon not less than ten days' prior written notice to Plaintiff, provided that no officer or director of El Paso and no owner of capital stock of El Paso in excess of one-half of one per cent. of the total shares outstanding shall be permitted to purchase any stock in New Company upon such sale or sales.

[fol. 17] (E) Within one year after entry of this Decree El Paso shall fully and completely divest itself of all legal and equitable right, title and interest in and to the 1,157,125 shares of stock in Westcoast Transmission Company, Limited, by the sale thereof to such person or persons as the Court may approve after notice to Plaintiff;

(F) El Paso shall take such other and further action as shall be necessary and appropriate for the consummation of the Plan of Divestiture;

(G) Until completion of the divestiture ordered by subsection (D) of this Section, El Paso shall report from time to time to this Court, at intervals of not more than ..... months, with respect to its progress in complying with the provisions of this Decree.

V.

Forthwith upon issuance of shares of stock in New Company in exchange for assets as provided in subsection (C) of Section IV, El Paso shall transfer all such shares to

New Company's chief executive officer, as voting trustee, who shall thereafter exercise all voting rights with respect to such shares. Such shares of stock in New Company shall be released by said chief executive officer, as voting trustee, only in accordance with divestiture by El Paso of its legal and equitable interest therein pursuant to this Decree.

VI.

Defendant El Paso is enjoined and restrained from:

(A) Except as contemplated in this Decree, acquiring any capital stock or financial interest whatsoever in New Company or any assets thereof;

[fol. 18] (B) For ten (10) years after the date of entry of this Decree, acquiring or holding after such acquisition, directly or indirectly, any natural gas transmission properties in the United States, or any of the capital stock, of any person engaged in the transmission of natural gas in the United States (other than purchases of the capital stock of any such person, except New Company, on behalf of the Employees Retirement Income Plan and/or the Employees' Savings Plan of El Paso resulting in holding by said Plans of less than one-half of one per centum (½ of 1%) of the capital stock of such person) except with the approval of the Plaintiff herein or after establishing to the satisfaction of this Court, upon notice to the Plaintiff, that the effect of such acquisition will not be to substantially lessen competition or tend to create a monopoly in any line of commerce in any section of the country;

(C) Having any person as an officer or director who is at the same time:

(1) an officer, director or employee of New Company;

(2) the owner of any capital stock of New Company or a person a member of whose immediate family is the owner of more than one-tenth of one per

centum (1/10 of 1%) of the capital stock of New Company;

(D) Employing, during a period of five (5) years from the date New Company shall first start service, any employee of New Company without first obtaining the consent in writing of New Company.

[fol. 19] VII.

For the purpose of determining or securing compliance with this Decree, duly authorized representatives of the Department of Justice, shall, on written request of the Attorney General or the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to either El Paso or the New Company, made to its principal office, be permitted, subject to any legally recognized privilege and with the right of said Defendant to have counsel present:

(A) Reasonable access, during office hours of such Defendant, to all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of such Defendant, relating to any matters contained in this Decree; and

(B) Subject to the reasonable convenience of such Defendant and without restraint or interference from it, to interview officers or employees of such Defendant, who may have counsel present, regarding any matters contained in this Decree;

Upon written request, such Defendant shall submit such reports in writing with respect to matters contained in this Decree as may from time to time be necessary to the enforcement of this Decree.

VIII.

Jurisdiction is retained by this Court over the parties, and after they have submitted thereto over New Company

and its chief executive officer in his capacity as voting trustee, for the purpose of enabling any of the parties to this Decree to apply to this Court at any time for such [fol. 20] further orders and directions as may be necessary or appropriate for the construction or carrying out of the orders of this Court, for the amendment thereof, for the enforcement of compliance therewith, and for the punishment of violations thereof.

Dated:

....., United States District Judge.

[fol. 21]

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

CENTRAL DIVISION

Civil Action No. 143-57

[Title omitted]

STIPULATION—Filed May 24, 1965

It is stipulated by and between the undersigned parties, by their respective attorneys, that a Decree For Divestiture in the form hereto attached may be filed and entered by the Court either upon the motion of either party or upon the Court's own motion at any time after the expiration of thirty (30) days following the date of filing of this Stipulation. It is further stipulated that within said thirty days the Court may hear the view of any affected person as an amicus curiae and may change the provisions of said Decree for Divestiture provided, however, that in [fol. 22] the event the Court modifies said Decree For

[File endorsement omitted]

Divestiture without the consent of both the parties then either party may withdraw its consent to the entry of the Decree For Divestiture.

Dated: May 24, 1965

For the Plaintiff:

United States of America, William H. Orrick, Jr., Assistant Attorney General, Antitrust Division; Larry L. Williams, William D. Kilgore, Jr., Lawrence F. Noble, Attorneys, Department of Justice.

For the Defendant:

El Paso Natural Gas Company, Gregory A. Harrison, Atherton Phleger, Robert S. Daggett.

[fol. 23]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

[Title omitted]

NOTICE OF FILING OF STIPULATION FOR ENTRY OF DIVESTITURE DECREE—Filed May 25, 1965

To:

Cascade Natural Gas Corporation, H. B. Jones, Jr., Esq. and Messrs. Jones, Grey, Kehoe, Hooper & Olsen, Its Attorneys, and to William M. Bennett, Esq.:

Please take notice, hereby given, that on May 24, 1965, Plaintiff The United States of America and Defendant El Paso Natural Gas Company filed their stipulation in

[File endorsement omitted]

the above-entitled Court for entry of a decree of divestiture in the above-entitled matter. Copies of the stipulation and the divestiture decree referred to therein are attached as Exhibit A hereto and by this reference made a part hereof.

Dated: May 25, 1965.

Gregory A. Harrison, Atherton Phleger, Robert S. Daggett, By Robert S. Daggett, Attorneys for Defendant El Paso Natural Gas Company.

[fol. 24] Proof of Service (omitted in printing).

[fol. 26]

IN UNITED STATES DISTRICT COURT

TELEGRAM—Filed June 7, 1965

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THE HONORABLE WILLIS W RITTER, UNITED UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH CENTRAL DIVISION SALT LAKE CITY UTAH

RE: CIVIL NO. 143-57 U.S. VS. EL PASO

DEAR JUDGE RITTER:

WE ARE ADVISED THAT THE LITIGANTS IN THE ABOVE MATTER HAVE FILED A STIPULATION WHICH PROVIDES THAT YOU "MAY HEAR THE VIEW OF ANY AFFECTED PERSON AS AN AMICUS CURIAE" WITH RESPECT TO THE FORM

[File endorsement omitted]

OF DECREE PROPOSED AND SUBMITTED BY THE LITIGANTS ON MAY 24, 1965.

THIS LETTER IS TO ADVISE YOU THAT THE STATE OF OREGON DEEMS ITSELF TO BE AN AFFECTED PERSON AND STANDS READY TO ADVISE YOU AS TO ITS VIEW EITHER ORALLY OR IN WRITING SHOULD YOU DESIRE TO HAVE THEM

[fol. 27] IN THE EVENT YOU DO WISH TO HEAR OUR VIEW, WILL YOU PLEASE ASK YOUR CLERK TO CALL ME COLLECT AND ADVISE AS TO THE TIME AND MANNER OF PRESENTATION YOU PRESCRIBE

ROBERT Y THORNTON ATTORNEY GENERAL OF OREGON

BY RICHARD W SABIN

ASSISTANT ATTORNEY GENERAL
103 PUBLIC SERVICE BLDG
SALEM OREGON

TELEPHONE: 364-2171 EXT 615

143-57 24 1965 364-2171 615 ALSO 103 (42)

[fol. 28]

IN UNITED STATES DISTRICT COURT

TELEGRAM—Filed June 7, 1965

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O SFN135 PD FAX SAN FRANCISCO CALIF
3 237P PDT

HON JUDGE JOHN WILLIS RITTER

UNITED STATES DISTRICT CT SALT LAKE CITY UTAH

CALIFORNIA REQUESTS A STAY OF THE PROCEEDINGS IN UNITED STATES OF AMERICA VS. EL PASO NATURAL GAS COMPANY CIVIL NO. 143-57. PROPOSED DECREE FOR DIVESTITURE IS CONTRARY TO UNITED STATES SUPREME COURT MANDATE BOTH AS TO SUBSTNCE AND AS TO TIME AND WILL FURTHER CONFUSE AND SCRAMBLE CORPORATE ASSETS REQUEST PROMPT RULING UPON THIS REQUEST

WILLIAM M BENNETT SPECIAL COUNSEL FOR THE PEOPLE OF THE STATE OF CALIFORNIA

(58).

[File endorsement omitted]

[fol. 29]

IN UNITED STATES DISTRICT COURT

LETTER—Filed June 7, 1965

BROBECK, PHLEGER & HARRISON
Attorneys at Law
ONE ELEVEN SUTTER STREET
SAN FRANCISCO 94104
SUTTER 1-0666

June 4, 1965

Honorable Willis W. Ritter,
Chief Judge,
United States District Court,
District of Utah,
Central Division,
Federal Post Office Building,
Salt Lake City, Utah.

Re: United States v. El Paso Natural Gas Company—Civil No. 143-57.

Dear Judge Ritter:

This is in reply to your letter of June 3, 1965.

We suggest that the Court grant Oregon and Washington ten days within which to file any written proposals they may have for changes in the agreed divestiture decree together with a written statement of supporting reasons and authorities. We also think Mr. Bennett should be granted a like period within which to file written points and authorities supporting his application for a stay of proceedings and that any such statement should specify the respects in which it is claimed that the stipulated divestiture decree fails to comply with the mandate of the Su-

[File endorsement omitted]

preme Court. We have prepared and enclose for your [fol. 30] consideration forms of orders for these purposes.

El Paso would like to move on June 24 next for entry of the agreed decree and such orders pertaining to related matters as may be appropriate.

Very truly yours,

/s/ GREGORY A. HARRISON

GAH:np

Encs.

cc:

William H. Orrick, Esq., Assistant Attorney General, Department of Justice, Washington 25, D.C.

Larry L. Williams, Esq., Antitrust Division, Department of Justice, Washington 25, D. C.

Richard A. Solomon, Esq., General Counsel, Federal Power Commission, 441 "G" Street, N.W., Washington, D.C.

William I. Harkaway, Esq., Federal Power Commission, 441 "G" Street, N.W., Washington, D.C.

[fol. 31]

IN UNITED STATES DISTRICT COURT

LETTER—Filed June 7, 1965

(Emblem) (Emblem)

STATE OF WASHINGTON
JOHN J. O'CONNELL
ATTORNEY GENERAL
TEMPLE OF JUSTICE
OLYMPIA, WASHINGTON

June 1, 1965

Honorable Willis W. Ritter
Chief United States District Judge
U. S. District Court
District of Utah
Salt Lake City, Utah

Re: U. S. v. El Paso Co., et al.
C-143-57

Dear Judge Ritter:

It has come to the attention of the Washington Utilities and Transportation Commission that a stipulation between the respective parties in the above-entitled matter was filed in your court on May 24, 1965. A portion of that stipulation states as follows:

"... It is further stipulated that within said thirty days the Court may hear the view of any affected person as an amicus curiae ..."

We have not been advised whether the court has indicated the method by which it may receive the views of amicus

[File endorsement omitted]

curiae. It would be extremely helpful to us if the court would inform us as to the procedural means which the court wishes to have followed in the submission of such views and the time within which such submission is to be made.

Very truly yours,

/s/ JOHN J. O'CONNELL
Attorney General

/s/ ROBERT E. SIMPSON
Robert E. Simpson
Assistant Attorney General

RES/bbw

[fol. 32]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

[Title omitted]

ORDER THAT STATE OF OREGON & STATE OF WASHINGTON MAY HAVE 10 DAYS, ETC.—June 7, 1965

Robert Y. Thornton, Attorney General of the State of Oregon, and John J. O'Connell, Attorney General of the State of Washington, are hereby granted ten (10) days within which to file any written proposals they may have for changes in the stipulated decree of divestiture filed herein on May 24, 1965, together with a written statement of supporting reasons and authorities.

Dated: June 7, 1965

Willis W. Ritter, Chief Judge.

[File endorsement omitted]

[fol. 33]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

UNITED STATES OF AMERICA, Plaintiff,

vs.

EL PASO NATURAL GAS COMPANY and PACIFIC NORTHWEST PIPELINE CORPORATION, Defendants.

ORDER THAT COUNSEL FOR PEOPLE OF THE STATE OF CALIFORNIA MAY HAVE 10 DAYS, ETC.—June 7, 1965

William M. Bennett, appearing herein as Special Counsel for the People of the State of California, is hereby granted ten (10) days within which to file a written statement of points and authorities supporting his telegraphic application for a stay of proceedings in this action. Such written statement of points and authorities shall specify the respects in which it is claimed the stipulated divestiture decree filed herein on May 24, 1965, fails to comply with the mandate of the Supreme Court of the United States in the cause.

Dated: June 7, 1965

Willis W. Ritter, Chief Judge.

[File endorsement omitted]

[fol. 34]

UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

SALT LAKE CITY, UTAH

June 7, 1965

NOTICE (RULE 77(d)) MAILED TO COUNSEL OF RECORD OF ORDER ALLOWING STATES OF CALIFORNIA, OREGON AND WASHINGTON, ETC.

To:

William T. Thurman, Esq., U. S. Attorney, 200 Post Office & Courthouse Bldg., SLC
Jack Louis Lipson, Esq., Dept. of Justice, Washington, D. C.
Gregory A. Harrison, Esq., 111 Sutter Street, San Francisco, California
Van Cott, Bagley, Cornwall & McCarthy, 141 East 1st South, Suite 300, SLC
Arthur H. Dean, Esq., Sullivan and Cromwell, 48 Wall Street, New York
Ray, Quinney and Nebeker, Suite 300, 65 South Main, SLC
Leon M. Payne, Esq., 2200 Gulf Bldg., Houston, 2, Texas
William M. Bennett, Esq., Public Utilities Commission, State of California, San Francisco, California
Robert Y. Thornton, Esq., Attorney General of State of Oregon, 103 Public Service Bldg., Salem, Oregon
Pugsley, Hayes, Rampton and Watkiss, El Paso Natural Gas Bldg., SLC
Robert E. Simpson, Esq., Asst. Attorney General, State of Washington, Temple of Justice, Olympia, Washington
Keith Sohm, Esq., 301 State Capitol Bldg., SLC

Re: C 143-57

UNITED STATES OF AMERICA,

vs.

EL PASO NATURAL GAS COMPANY, et al.

Please Take Notice, that in accordance with Rule 77 (d) of the Rules of Civil Procedure that the following:

ORDER, allowing People of the State of California ten (10) days within which to file written statement of points and authorities for stay of proceedings specifying respects in which stipulated divestiture decree filed on May 24, 1965 fails to comply with mandate of Supreme Court of United States in the cause,

and

ORDER, allowing States of Oregon and Washington ten (10) days within which to file written proposals they may have for changes in the stipulated decree of divestiture filed on May 24, 1965, together with a written statement of supporting reasons and authorities,

were signed by Honorable Willis W. Ritter on the 7th day of June, 1965, and entered in the Docket as of the 7th day of June, 1965.

Andrew John Brennan, Clerk, By Hana Shuata, Deputy Clerk.

[fol. 35]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

No. C 143-57

UNITED STATES OF AMERICA,

v.

EL PASO NATURAL GAS COMPANY, *et al.*

NOTICE OF HEARING ON JUNE 24, 1965

Take Notice that the above-entitled case has been set for Hearing at Salt Lake City, Utah, on Thursday, June 24, 1965, at 10:00 a.m. before Honorable Willis W. Ritter for Signing and Entry of the Agreed Decree and such Orders Pertaining to Related Matters as may be appropriate.

Date June 7, 1965.

Andrew John Brennan, Clerk, By hs, Deputy Clerk.

To:

William T. Thurman, Esq., U. S. Attorney, 200 Post Office & Courthouse Bldg., SLC
Larry Williams, Esq., Dept. of Justice, Washington, D. C.
Gregory A. Harrison, Esq., 111 Sutter Street, San Francisco, California
Van Cott, Bagley, Cornwall and McCarthy, 141 East 1st South, Suite 300, SLC

[fol. 36]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

UNITED STATES OF AMERICA, Plaintiff,

vs

EL PASO NATURAL GAS COMPANY and PACIFIC NORTHWEST PIPELINE CORPORATION, Defendants.

ORDER—June 7, 1965

It Is Ordered that the above entitled matter is set on the calendar for June 24, 1965 at 10:00 A. M. for Signing and Entry of the Agreed Decree and Such Orders Pertaining to Related Matters as may be appropriate.

Dated this 7 day of June, 1965.

By the Court: Willis W. Ritter, Chief Judge.

[fol. 37]

UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

SALT LAKE CITY, UTAH

June 8, 1965

NOTICE (RULE 77(d)) MAILED TO COUNSEL OF RECORD OF ORDER SETTING HEARING

To:

William T. Thurman, Esq., U. S. Attorney, 200 Post Office & Courthouse Bldg., SLC
Larry Williams, Esq., Dept. of Justice, Washington, D. C.
Gregory A. Harrison, Esq., 111 Sutter Street, San Francisco, California
Van Cott, Bagley, Cornwall and McCarthy, 141 East 1st South, Suite 300, SLC

Re: C 143-57—United States of America

vs

El Paso Natural Gas Company, et al.

Please Take Notice, that in accordance with Rule 77 (d) of the Rules of Civil Procedure, that the following:

Order, ordering that the above entitled matter be set for hearing on June 24, 1965 at 10:00 a.m. for Signing and Entry of the Agreed Decree and Such Orders Pertaining to Related Matters as may be appropriate,

was signed by Honorable Willis W. Ritter on the 7th day of June, 1965, and entered in the Docket as of the 8th day of June, 1965.

Andrew John Brennan, Clerk, By: hs, Deputy Clerk.

[fol. 38]

IN UNITED STATES DISTRICT COURT

TELEGRAM—Filed June 10, 1965

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HON WILLIS W RITTER

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH, CENTRAL DIVISION SALT LAKE CITY UTAH

RE CIVIL NO. 143-57 U.S. VS. EL PASO. AM ADVISED THAT I HAVE TEN DAYS TO FILE WRITTEN POINTS AND AUTHORITIES IN SUPPORT OF MY TELE RAPHIC APPLICATION FOR A STAY. HEREWITH ARE POINTS AND AUTHORITIES: U.S.A. VS. EL PASO NATURAL GAS COMPANY, 376 U.S. 651, WHEREIN JUSTICE DOUGLAS ORDERED DIVESTITURE "WITHOUT DELAY." PROMPT RULING IS CALLED FOR IN VIEW OF THE FACT THAT DECREE BECOMES EFFECTIVE SOON AND SO THAT I MAY PURSUE OTHER REMEDIES IN THE UNITED STATES SUPREME COURT. CALIFORNIA SUBMITS: APPLICATION FOR A STAY AND WAIVES ALL FURTHER RIGHT TO SUBMIT ADDITIONAL AUTHORITIES. PLEASE ADVISE BY RETURN [fol. 39] WIRE COLLECT WHEN COURT RULING IS MADE.

WILLIAN M BENNETT

SPECIAL COUNSEL FOR THE PEOPLE OF THE STATE OF CALIFORNIA
ROOM 5052, STATE BUILDING
SAN FRANCISCO, CALIFORNIA
(39).

[File endorsement omitted]

[fol. 40]

STATEMENT IN THE FORM OF LETTER DATED JUNE 11, 1965 TO HONORABLE WILLIS W. RITTER FROM SOUTHERN CALIFORNIA EDISON COMPANY

IN UNITED STATES DISTRICT COURT

SOUTHERN CALIFORNIA EDISON COMPANY

P. O. Box 351

Los Angeles, California 90053

ROLLIN E. WOODBURY
GENERAL COUNSEL

June 11, 1965

The Honorable Willis W. Ritter, Judge
United States District Court
District of Utah
Central Division
Salt Lake City, Utah

Dear Sir:

Re: United States of America vs.
El Paso Natural Gas Company and
Pacific Northwest Pipeline Corporation
Civil Action No. 143-57

Pursuant to our earlier request, the Justice Department forwarded to us a copy of the stipulation and proposed form of Decree for Divestiture, filed May 24, 1965 in your Court, in the case of United States of America vs. El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation (Civil Action No. 143-57), which we received on May 28, 1965.

Pursuant to the provisions of such stipulation that within thirty days following its filing, the Court may hear the view of any affected person as an amicus curiae and may change the provisions of said Decree for Divestiture as provided therein, we respectfully submit to the Court as such amicus curiae the following for such consideration:

1. It is respectfully submitted that the proposed form of Decree for Divestiture would not effectuate the purpose of the mandate of the United States Supreme Court in its decision of April 6, 1964; such purpose being to establish, or re-establish, without delay a strong independent gas pipeline company capable of providing competition to El Paso Natural Gas Company and other natural gas pipeline companies, with particular reference to the service to the California market. The proposed form of Decree for Divestiture, while providing certain detailed provisions concerning the mechanics of setting up an independent company, fails to include provisions which are consistent with the antitrust objective of restoring competition lost through [fol. 41] the merger and fails to include provisions which would transfer to New Company assets which are sufficient to enable New Company to be a strong viable competitor and to which it should be entitled; but rather it would permit El Paso Natural Gas Company to retain the benefits of its previous violations of the antitrust laws. For example:

a. El Paso Natural Gas Company, under the proposed Decree, is entitled to retain the benefits that will be derived from the sale, at current market values, of the 1,157,125 shares of stock in Westcoast Transmission Company, Limited, which before the merger was stock that was owned by Pacific Northwest Pipeline Corporation. There could be little question but what, if the Federal Power Commission had "held its hand until the courts had acted" (as referred to in the Supreme Court's decision of April 30, 1962) and if El Paso Natural Gas Company had subsequently been found to have violated the antitrust laws (as it was by the United States Supreme Court's decision of April 6, 1964), the Westcoast Transmission Company stock would have remained an asset of the Pacific Northwest Pipeline Corporation and would not have been available for sale for the benefit of the shareholders of El Paso Natural Gas Company. Yet, the

proposed form of Decree for Divestiture will produce this contrary result, to the disadvantage of the New Company as successor of Pacific Northwest Pipeline Corporation and to the advantage of El Paso Natural Gas Company.

In this connection, the Department of Justice stated in its Brief dated December 4, 1964, and filed with the Court:

> "There is no justification for El Paso selling this stock at a substantial profit to itself. This stock is an asset which belonged to Pacific Northwest and it is our firm opinion that it should be transferred along with the other acquired assets. Certainly the mandate of the Supreme Court that the acquired assets be divested cannot be interpreted as calling [fol. 42] for a piecemeal sale of those assets to the highest bidder. *All* of the acquired assets, including the Westcoast stock should be divested intact to a single purchaser. Although we believe that the purchaser should be required to dispose of the Westcoast stock because Pacific Northwest probably acquired it illegally, its disposition should not be determined by El Paso, but by the Court. Certainly, the proceeds of the sale should be New Company's, not El Paso's. If the stock were sold by New Company it would provide a substantial sum for working capital purposes which now must be borrowed."

b. The returning to the New Company, under El Paso Natural Gas Company's plan of divestiture referred to in the proposed Decree, of only the gas reserves in the San Juan Basin (with very limited exception) which were owned or controlled by Pacific Northwest at the date of the merger *less* subsequent production, leaving to El Paso all of the benefits of the additional leaseholds, gas rights and gas purchase contracts acquired in the area after the merger and in

the *absence* of the competition from Pacific Northwest that would otherwise have existed, similarly results in giving El Paso Natural Gas Company the benefits of its illegal actions and diminishing the strength of the independent New Company. As stated by the Department of Justice in its Brief dated December 4, 1964 and filed with this Court:

"The failure to allocate to New Company a fair share of the important San Juan Basin gas reserves that have been acquired by El Paso since the stock acquisition and since the merger, will deprive New Company of its fair share of gas which it would need to compete for additional markets.

"It should be recalled that the Supreme Court found [fol. 43] that

'Pacific Northwest was no feeble, failing company; nor was it inexperienced and lacking in resourcefulness. It was one of the two major interstate pipelines serving the trans-Rocky Mountain States; it had raised $250 million for its pipeline that extended 2,500 miles through rugged terrain. It had *adequate reserves* and managerial skill. It was so strong and militant that it was viewed with concern and coveted, by El Paso. 376 U.S. 651 at 661-62. (Emphasis supplied.)'

"Failure to provide for an appropriate allocation of these combined gas reserves would make it a more feeble competitor than Pacific Northwest would have been had it remained independent of El Paso."

c. The proposed plan does not fairly allocate the benefits derived from tax loss carry-overs of Pacific Northwest and does not fairly treat the New Company in the matter of contract modifications. As stated by the Department of Justice in its Brief dated December 4, 1964:

"El Paso, in its plan, has made no effort to allocate to New Company another principal asset acquired from Pacific Northwest at the time of the merger consisting of over $53 million in tax loss carry-overs."

and

"Under the El Paso plan certain contracts to which Pacific Northwest had been a party prior to the merger, will be transferred to New Company with this important difference; El Paso has unilaterally changed some of the most important provisions in [fol. 44] these contracts to the detriment of New Company. We think then any such changes should not be forced on New Company through El Paso's unilateral action but should be arrived at through arms length bargaining subject to the normal review procedures of the Federal Power Commission."

We are aware of no development or change of factual circumstance or law during the period which has intervened between December 4, 1964, the date of the filing of such Brief of the Department of Justice, opposing such features of the El Paso scheme, and the present which would affect in any respect the soundness of each of the above criticisms of the El Paso plan of divestiture. No such development or change is reflected either in the stipulation or in the proposed form of Decree.

d. The proposed form of Decree, while referring to applications to be made by the New Company with the Federal Power Commission, makes no reference whatsoever to any application to the Federal Power Commission by El Paso with respect to the transfer of the properties contemplated by El Paso Natural Gas Company in connection with the proposed Decree and the abandonment by El Paso Natural Gas Company of facilities or service without the approval of the Com-

mission as contemplated under Section 7(b) of the Natural Gas Act, nor does the reservation set forth in the proposed form of Decree, namely, that "this Decree is not intended to impinge upon whatever jurisdiction the Federal Power Commission may have under the Natural Gas Act with respect to New Company . . ." provide for a similar reservation with respect to El Paso. As was done with respect to New Company, the Decree should specifically state that it is not intended to impinge upon whatever jurisdiction the Federal Power Commission may have under the Natural Gas Act with respect to El Paso.

2. Southern California Edison Company is an affected person, as referred to in the stipulation, because of its legitimate interests in the need for the establishment and [fol. 45] maintenance of effective, as well as independent, competition between strong, as well as independent, gas suppliers for Southern California. This legitimate interest of Edison was recognized in the opinion of the United States Supreme Court of April 6, 1964. In this connection, reference is made to the following portions of that opinion:

"In 1956 it (Pacific Northwest) indeed engaged in negotiations for the sale of natural gas to Southern California Edison Co. (Edison). The latter, largest industrial user of natural gas in Southern California, used El Paso gas, purchased through a distributor. It had, however, a low priority from that distributor, being on an 'interruptible' basis, i.e., subject to interruption during periods of peak demand for domestic uses. Edison wanted a firm contract and, upon being advised that it was El Paso's policy to sell only to distributors, started negotiations with Pacific Northwest in May 1956. The idea was for Pacific Northwest to deliver to Edison at a point on the California-Oregon border 300 million cubic feet of Canadian gas a day. In July 1956 they reached a tentative agreement.

Edison thereupon tried to develop within California an integrated system for distributing Canadian gas supplied by Pacific Northwest to itself and others. El Paso decided to fight the plan to the last ditch, and succeeded in getting (through a distributor) a contract for Edison's needs. Edison's tentative agreement with Pacific Northwest was terminated. Before Edison terminated that agreement with Pacific Northwest, Edison had reached an agreement with El Paso for firm deliveries of gas; and while the original El Paso offer was 40¢ per mfc (sic), the price dropped to 38¢ per mcf, then to 34¢ and finally to 30¢. Thereafter, and while the merger negotiations were pending, Pacific Northwest renewed its efforts to get its gas into California."

and, at Footnote 5:

"California, in a brief amicus curiae, p. 5, tells us: 'The dependence of California upon natural gas as a fuel is unique among the states. California does not [fol. 46] possess coal deposits sufficient for energy requirements. It is dependent upon natural gas for its energy needs and approximately three quarters of the natural gas utilized in California comes from out-of-state sources. Ninety per cent of all homes in California are heated by natural gas and California industry depends upon natural gas as a fuel. In California the percentage of total energy provided by natural gas is substantially greater than for the nation as a whole.

'During 1962, California Gas distributing utilities purchased over 745 trillion (sic) cubic feet of natural gas at a cost of somewhat in excess of $266,850,000. California takes in excess of ten per cent of all of the natural gas moving in interstate commerce throughout the United States and exceeds the volume of gas imported by any other state.

'The interest of California in this proceeding is evident. More than 80% of the customers of El Paso before merger resided in the State of California and California ratepayers bear most of the costs of service of El Paso.

'California, alone, consumes more natural gas than the Middle Atlantic States combined, more than half as much as the highly industrialized, thickly populated East North-Central States of Illinois, Indiana, Michigan, Ohio and Wisconsin, and as much as the seven States that make up the West North-Central area. Out-of-state deliveries to California averaged three billion cubic feet per day in 1961. At a price of slightly more than thirty cents per thousand cubic feet (Mcf), this business was worth then about $1,000,000 per day.'"

The positions heretofore taken by the Department of Justice in its pleadings and argument before your Honorable Court had led us to assume that any stipulated form of decree would reflect their positions on the matters referred to above and would insure that the United States [fol. 47] Supreme Court's mandate would be followed to the extent that a strong, as well as an independent, competitor for the California gas market would be provided without delay by divestiture, and that El Paso would not be permitted to benefit so markedly from the results of its prior violations of the Clayton Act. Whatever the particular considerations which resulted in the stipulation, we submit that the purpose of the United States Supreme Court's mandate to effect by divestiture and without delay a strong, independent, competitive gas supplier for the California market will not result in the form of the New Company that would emerge if the proposed form of Decree attached to the stipulation were to become final.

For these reasons we have respectfully submitted our views for consideration of the Court in the hopes that

such consideration will lead to modifications of the Decree by the Court to effectuate complete compliance with the divestiture mandate of the United States Supreme Court.

Respectfully submitted,

/s/ Rollin E. Woodbury
General Counsel

REW:eb

[fol. 48]

In the United States District Court

For the District of Utah

Central Division

Civil Action No. 143-57

United States of America, Plaintiff,

vs.

El Paso Natural Gas Company and
Pacific Northwest Pipeline Corporation, Defendants.

Memorandum Re Proposed Divestiture Decree of May 24, 1965—Filed June 16, 1965

The Court has allowed the State of Oregon to submit written proposals for changes in the form of decree submitted to the Court on May 24, 1965, by the U.S. Department of Justice and the El Paso Natural Gas Company.

Oregon's views as to the sufficiency of the asset divestiture are already known to the Court, since the proposed decree in effect contemplates the same divestiture plan as was submitted to the Court in October, 1964. Oregon's brief in support of intervention commented on that plan.

[File endorsement omitted]

The distinction, in relation to assets, between the October plan and the May decree is essentially one of form, not substance, for the basic proposal to be submitted to the F.P.C. for certification under Section 7 of the Natural Gas Act is identical. The difference in form is simply this: in the October plan it was contemplated that the Court would resolve all issues in relation to assets. The May decree in effect does the same thing, although there is an equivocal clause in the decree which may indicate something else. That is the clause which provides: "This decree is not intended to impinge upon whatever jurisdiction the Federal Power Commission may have under the Natural Gas Act with respect to the new company. . . ."

The F.P.C.'s jurisdiction over the New Company as that [fol. 49] jurisdiction relates to this proceeding is plainly ministerial. The New Company will have to apply for a Certificate of Convenience and Necessity. The application will be governed by Section 7 of the Natural Gas Act. The F.P.C. "jurisdiction" is to grant absolutely or conditionally, or to deny a Certificate. Since the Court will have prescribed the contractual relations between the New Company and El Paso and will have identified the New Company reserves, the F.P.C. will be obliged to accept or reject the October plan if the Court executes the proposed decree. In our opinion the F.P.C., notwithstanding the "no-infringement" clause, may well have to accept the October plan as a matter of law. It may well be stripped of its authority to reject or even condition the grant of a certificate.

It is of course possible for the Court to redraft the decree and make specific provision for the exercise of discretion by the F.P.C. In our opinion such a provision would be an unlawful transfer of authority to the F.P.C. The Supreme Court has ruled in effect that the F.P.C. has no jurisdiction to act during the pendency of anti-trust litigation. We do not believe that the Court can by decree transfer its responsibility to the regulatory agency.

There is another serious problem which should be brought to the Court's attention in connection with the exercise of

authority by the F.P.C., that is, should the F.P.C. jurisdiction be anything more than ministerial, serious legal complications will obtain. Every state regulatory agency has an absolute right to intervene in F.P.C. proceedings. If the F.P.C. is put in a position to exercise discretion, then every intervenor will be a potential appellant, including the state agencies. The appeal from an F.P.C. decision is to the Circuit Court of Appeals. The potential is obvious. This Court will have continuing jurisdiction over the divestiture [fol. 50] and further proceedings may well be required in connection with it. At the same time appeals can be prosecuted to a different Court and nltimately to the Supreme Court. Thus a back-door review of a consent decree in this Court might be obtained by anyone wishing to press the matter and who has intervened before the F.P.C. We submit that the result would be intolerable chaos. Accordingly, we recommend to the Court that a complete and proper divestiture be prescribed by this Court which will leave no discretion to the F.P.C. in the Certificate proceeding, that is, a decree which will permit the F.P.C. to act only in a ministerial capacity.

The question of F.P.C. jurisdiction is really collateral to the main issues before the Court. It is here brought up to underline a conclusion, so to speak, and that conclusion is simply that this Court is solely responsible for divestiture and any transfer of functions to an agency will undoubtedly result in the matter coming back before this Court after much delay and with nothing accomplished.

The next matter for discussion is the question of sufficiency of the proposed decree to accomplish "divestiture" as contemplated by the Supreme Court.

The Justice Department has seen fit to limit its final approach in this case to but one facet, the manner of divestiture. It deems acceptable a plan which permits a new company with absolutely no assets to be created. It will have no cash and be stripped of its only major saleable asset—West Coast Transmission Company stock. The new company must then proceed to the F.P.C. and apply for a cer-

tificate to serve virtually all of the natural gas needs of Oregon, Washington, Idaho and portions of the needs of Nevada, Utah, Wyoming and Colorado. It will have no assets under the proposed decree until after the certificate is granted.

Without assets, there can be no true independence on the [fol. 51] part of the new company. It cannot bargain with El Paso for anything, for it has nothing. We question its ability to even go through with the F.P.C. proceeding except on the El Paso dole. We cannot count on the new company to protect its own interests, then, should the Court decide to sign the May decree.

As the Court is aware from previous briefs submitted in this case, State regulatory agencies may intervene as a matter of right in F.P.C. proceedings, and this without even the consent of the Justice Department. But of what use is that right under the May decree? None.

There is much to be done in the Northwest if gas service is to remain available to those who desire it. El Paso officials have made known to us, and our own analysis confirms, that the system to be divested will be inadequate to meet peak day requirements of firm gas in the Northwest during the 1966-67 heating season. Will El Paso make the necessary line improvements if any of the Northwest states oppose them before the F.P.C.? We doubt that they would do so voluntarily.

The May decree provides for creation of a new company which must then go to the F.P.C. for its certificate, a matter which will consume time in administrative proceedings. After the certification comes divestiture, and the stock divestiture may take as much as three additional years after certification. Thus the delay in divestiture makes final resolution of this case well beyond the 1966-67 heating season which is critical to us. We can expect little help from the new company until final divestiture, and certainly no help in the long interim period if we should have the effrontery "to meddle" into the affairs of either El Paso or the new company during that period.

We submit, then, that the decree proposed to the Court may well constitute not only an unlawful attempt to abdicate the power of the Court to the F.P.C., but a direct violation [fol. 52] of the Supreme Court's "without delay" admonition; a violation which will seriously prejudice several sovereign states in their duty to look to the provision of natural gas for their citizens; a violation which will seriously prejudice gas distribution companies in their duty to provide reasonable service at reasonable rates to their customers; and a violation which will do incalculable harm to the consuming public in the Northwestern States.

There is a solution—a lawful and fair solution. We have attempted to outline the essentials insofar as assets are concerned in our brief in support of intervention. However, in light of the mode of divestiture in the proposed decree, we think it essential to note that there is a reasonable way to insure immediate independence of management rather than permitting the creation of a mere satellite corporation. We have already pointed out that what is proposed is a satellite indeed, for it is probable that at least four years and, in all probability, many more would pass before the proposed decree would create anything which could be called independent.

To the end that there will be created an independent, viable corporation which may pose a competitive factor in the Western United States, and this in the foreseeable future as contemplated by the Supreme Court's "without delay" fiat, we propose the following steps to the Court:

1) The Court should immediately prescribe a divestiture of assets to the end that the status quo prior to the merger will be restored to the extent that is now possible, including the revival of pre-merger contracts and agreements between El Paso and Pacific Northwest, including but not limited to the San Juan Basin gathering contract the terms of which should apply to all inter-company gathering arrangements in effect after the merger, and the Kingsgate agreement or arrangement which was submitted to the Federal Power Commission.

[fol. 53] The Court should in this step also provide for an equitable division of post merger gas acquisitions made by the combined companies to the end that the competitive position of the new company will not be worsened vis-a-vis El Paso by reason of its inability to acquire additional gas during the period the merger was in effect. There should be a limitation to the San Juan Basin, however, for while it is quite possible that Pacific Northwest might have acquired additional properties in the nearby and prolific Aneth Field, or in the Permian Basin where its partially owned subsidiary, the Northwest Production Company has significant holdings, the same possibility exists that El Paso might have acquired gas properties north of the San Juan Basin. To avoid extensive speculation as to other areas, proration should be limited to the one primary producing area where the two companies were in active competition, the San Juan Basin. El Paso should be enjoined from diverting any of the assets to be divested to the use of its so-called Southern Division pending selection of an entity to acquire the assets to be divested.

2) The Court should require within 30 days or such other reasonable time as the Court may deem appropriate, that all corporations desirous of acquiring the New Company by purchase, stock exchange or other manner of acquisition, register with the Court and submit to the Court their generally stated plan or plans of acquisition, the names of their corporate officers, their Certificates of Incorporation, and such other data as may be necessary and appropriate for the Court to assess their ability to acquire and operate the divested facilities, including but not limited to information concerning their financial capabilities.

3) Upon the expiration of the period prescribed in paragraph 2, the Court should allow El Paso, the Justice Department, and such other interested parties as the Court may [fol. 54] deem it useful to allow to comment upon the acquisition plans, to submit their comments and recommendations. Another 30 day period should be provided for this purpose.

4) Following receipt of the comments and recommendations provided for in paragraph 3, the Court should determine which of the prospective purchasers are acceptable to the Court as purchasers, and direct El Paso to permit representatives of such prospective purchasers complete and free access to the books, records and accounts of El Paso for a further period of time set by the Court after hearing.

5) Following the record inspection period prescribed in paragraph 4, the prospective purchasers should be required to submit their complete and detailed plans of acquisition to the Court, the matter should be set for hearing in order that El Paso, the Department of Justice, and such others as the Court may wish to hear, may submit their comments and recommendations on the final acquisition plans submitted.

6) Thereafter the Court should designate a corporation to acquire the assets to be divested.

7) Following the designation by the Court of an entity independent of El Paso as purchaser, the stock purchase or exchange should be accomplished as expeditiously as possible, and thereafter the assets to be divested should be held by El Paso as trustee for the benefit of the independent company, the trusteeship to be terminated upon the granting by the F.P.C. of a certificate of public convenience and necessity to the independent company which should thereafter receive title to the divested assets. During the period of trusteeship, El Paso should be enjoined from diverting any of the assets to be divested to its own use or otherwise impairing prospective title thereto, provided, however, with the consent of the purchaser, El Paso may [fol. 55] be allowed, and at the request of the purchaser, El Paso should be required to do all things necessary and consistent with the primary utility purposes of the independent company, all subject to the continuing jurisdiction of this Court and the jurisdiction of the Federal Power Commission under the Natural Gas Act.

8) The Court should direct the purchaser to initiate proceedings at the earliest possible date to acquire a certificate of convenience and necessity for the operation of the acquired facilities, and El Paso should be directed to render all possible aid and assistance to the purchaser to accomplish that end.

9) Following the grant of a certificate of public convenience and necessity to the purchaser, El Paso should be directed to deliver to the purchaser title to all assets required to be divested and to assign all contracts, leases and other documents evidencing right, title or interest in properties to be divested to the purchaser.

10) The Court should direct the purchasing corporation to assume the corporate obligations of El Paso in the amount and nature described in El Paso's October plan simultaneously with the transfer to it of assets, provided, however, that all expenses incident to the assumption of such corporate obligations should be paid by El Paso and not the purchasing company.

11) The stock of Westcoast Transmission Company held by Pacific Northwest prior to the merger and now held by El Paso should not be subject to the foregoing provisions. El Paso should be required to immediately transfer that stock to the purchasing corporation upon the consummation of the purchase or exchange of stock by the purchasing corporation.

12) The purchasing corporation should be enjoined from merging with the Northwest Production Company unless first authorized to effectuate such a merger by the Federal Power Commission.

13) The right to apply to the F.P.C. for modification of [fol. 56] any contracts or agreements between El Paso and the New Company, including but not limited to the San Juan gathering contract and Kingsgate gas agreement, should be expressly preserved in order that there be no

legal impediment to either or both affected companies which would inhibit them from seeking modification, after divestiture, from that agency of any arrangements between them which would be, but for this decree, subject to the provisions of the Natural Gas Act.

It is submitted that if the preceding steps are followed, most of the criticisms of the May decree will be obviated. There will still be delay, but delay will be cut to the legal minimum, that is, will be reduced to the shortest period of time which the problems of securing a purchaser and acquiring a certificate from the F.P.C. will allow.

More than a year has already passed since the Supreme Court ordered divestiture without delay. We submit that the preceding suggestions do not smack of unseemly haste but are aimed at putting into effect the Supreme Court mandate without the further delay of many years which appears to be entailed in the proposed decree.

Delay was not the only concern of the Supreme Court, however. It was also concerned that a new company be created which will be capable of competing with El Paso. The proposed decree, if executed, would not do that. It would create a situation inimical to competition, for the new company would be subject to control by El Paso for an excessive period, and would be subject to El Paso's influence for an even longer period by reason of El Paso's direct hand in selection of management.

An independent purchaser will assure independent management from the beginning. The prospects of competition are thereby enhanced. Competition is, of course, the ultimate goal of the antitrust laws. The importance of independence is not limited to competition considerations, however. It pays greater dividends. Until there is that [fol. 57] independence, there will be no one to bargain with El Paso on any subject, gathering charges and Kingsgate type arrangements included. With independent management, the Court may be assured that unfair and iniquitous arrangements will not be foisted upon a satellite corporation by El Paso. Neither will El Paso be in a position to

restrict an independent company solely to those activities which are compatible with El Paso's interest.

Should the Court see fit to create a truly independent company by requiring a sale of assets to an independent utility, and require the divestiture of assets and renewal of contracts and agreements as suggested, we see no reason why the divestiture cannot be completely accomplished within a matter of months. The resulting new company would be what the Supreme Court envisioned: a viable company capable of competition.

It is proper for the Court to consider the impact of any decree on El Paso as well as upon the new company. The suggested departures from the May decree, we submit, would alter the impact of divestiture in but two particulars. One is the pro-ration of reserves. When El Paso's entire reserves are considered, the effect of the pro-ration on El Paso is so small that it may be termed negligible, although an important and strategically located volume is involved when compared to the new company reserves.

The other area of impact is the competition area, and that, of course, is why this suit was brought in the first place. Under the May decree there will be no competition from the new company for several years. Under the above proposals, there will be competition in about a year. We submit that the law requires the latter.

It may be argued that there will be an adverse financial impact on El Paso. We cannot accept that argument. Every asset transferred to the new company will enhance [fol. 58] the value of that company to El Paso when it is sold. Accordingly, El Paso will recover all value which it transfers to the new company at the time of sale.

In summary, let us say that Oregon would like to see a new operating company in a position to furnish such service as is required by its citizens and at reasonable rates. This document is submitted as one in the nature of an Amicus Curiae statement, and accordingly Oregon's function is not to look only to its own interests, but to point out to the Court such defects in the proposed decree as are

apparent to us. Happily, the two coincide, since compliance with the law is in Oregon's interest. That compliance requires prompt divestiture. The decree does not provide it. Compliance requires that an independent entity operate the divested facilities. The decree does not provide for that. Finally, the law requires that El Paso divest sufficient assets to the new entity to enable it to pose a competitive element in the natural gas pipeline business. And the decree does not provide that either.

Accordingly, it is Oregon's recommendation to the Court that the proposed decree of May 24, 1965 be rejected. Attached hereto is a form of decree which we believe will accomplish the objectives stated herein.

Respectfully submitted,

Robert Y. Thornton, Attorney General for Oregon. Lloyd G. Hammel, Assistant Attorney General, Chief Counsel, PUC, By: Richard W. Sabin, Assistant Attorney General, Assigned to the Public Utility Commissioner of Oregon, 103 Public Service Bldg., Salem, Oregon 97310, Telephone 364-2171 ext. 615.

Local Counsel: Calvin L. Rampton, Esq., El Paso Natural Gas Building, Salt Lake City, Utah.

[fol. 59] Certificate of Service (omitted in printing).

[fol. 60]

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH
CENTRAL DIVISION
Civil Action No. 143-57

UNITED STATES OF AMERICA, Plaintiff,

vs.

EL PASO NATURAL GAS COMPANY and
PACIFIC NORTHWEST PIPELINE CORPORATION, Defendants.

DECREE—Filed June 16, 1965

The Plaintiff filed its complaint herein on July 22, 1957, and its amendment thereto on October 31, 1960. The Defendants appeared and filed their answer on November 12, 1957. The suit was tried by this Court on November 20, 1962, and a judgment was entered dismissing the suit. The Plaintiff appealed from the judgment. On April 6, 1964, the Supreme Court of the United States reversed the judgment of this Court and directed it to order divestiture without delay. The mandate of the Supreme Court of the United States was filed in this Court on May 5, 1964. This decree for divestiture is for the purpose of establishing an independent gas pipeline company capable of providing future competition to El Paso and other natural gas pipeline companies.

Now, Therefore it is hereby Ordered, Adjudged and Decreed:

I

As used in this decree:

(A) "El Paso" shall mean the defendant El Paso Natural Gas Company;

[File endorsement omitted]

(B) "Pacific Northwest" shall mean the Defendant Pacific Northwest Pipeline Corporation;

(C) "Person" shall mean an individual, partnership, firm, [fol. 61] corporation, association or other legal or business entity;

(D) "Immediate family" shall mean, with reference to any person, the spouse, descendants, ascendants and/or brothers and sisters of such person;

(E) "Natural gas transmission properties" shall mean properties used in the transportation of natural gas by pipeline (other than production, gathering and processing).

II

In accordance with the mandate of the Supreme Court, this Court finds the acquisition by El Paso of the capital stock and assets of Pacific Northwest is a violation of Section 7 of the Act of Congress of October 15, 1914, entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," commonly known as the Clayton Act, as amended.

III

This Decree is binding upon the Defendants and their subsidiaries, successors and assigns and each of their officers, directors, agents, employees and all persons in active concert or participation with them who shall have received actual notice of this decree by personal service or otherwise.

IV

The Court has received in evidence, as El Paso's Exhibit A, El Paso's Proposal for Divestiture which contains a plan of divestiture which, as herein modified, is hereafter referred to as the "Plan of Divestiture." After due hearings thereon, the Court finds that the Plan of Divestiture, as herein modified, complies with the mandate of the Su-

preme Court in this matter, and the Plan of Divestiture as so modified, is accordingly approved by this Court. El Paso is ordered and directed to commence effectuating the Plan of Divestiture in the following manner:

[fol. 62] (A) El Paso shall submit to the Court a modified revised Exhibit A which shall contain:

1) The San Juan Gathering Agreement in effect prior to the merger of the herein Defendants in lieu of the revised agreement contained under Tab 4 of Exhibit A, which said pre-merger agreement shall be binding with respect to all inter-divisional gathering facilities attached to the San Juan common system subsequent to the merger as well as to pre-merger attachments;

2) An agreement embodying the provisions of "Rate Schedule X-5" dated September 1, 1959 (Pacific Northwest Pipeline Corporation, FPC Gas Tariff, Original Volume 2, Sheet 92 through and including Sheet 106) in lieu of the revised agreement contained under Tab 5 of Exhibit A;

3) An assignment of a twenty (20%) per cent interest in and to all contracts, leases, deeds and other evidence of interest in gas wells, gas reserves in place, and gas production properties and properties held for future gas production of whatsoever kind and nature which are located within the gas producing area known as the San Juan Basin in New Mexico and Colorado. Such assignment shall be in favor of the entity which shall acquire the assets to be divested by El Paso, and such assignment of interest shall extend to all interests hereinabove enumerated acquired by El Paso subsequent to the acquisition by [fol. 63] El Paso of the capital stock of the Pacific Northwest Pipeline Corporation, that is, subsequent to May 1, 1957.

(B) Within thirty days of the entry of this decree, any and all persons, groups and corporations interested in the

acquisition of the assets to be divested by virtue of this decree shall submit to this Court their plans of acquisition, specifying therein the names of persons who shall be responsible for carrying out the plans submitted; disclosing in general terms the proposed method of acquisition, that is, by purchase, by stock exchange, or by other method; and disclosing sufficient information to permit the Court to determine the financial feasibility of the plans proposed.

(C) Following the thirty-day period provided in (B) above, and within sixty days of the entry of this decree, the parties hereto shall submit in writing their comments with regard to the acquisition proposals submitted to the Court and shall appear before this Court on the ..... day of ....., 1965, at the hour of ..... .M. at which time the Court shall hear the views of the parties hereto, and the views of those having submitted acquisition proposals, and the views of such others as the Court shall designate. Thereafter the Court shall designate which of the plans of acquisition are acceptable to the Court.

(D) For a period of thirty days following the designation of acceptable acquisition plans, El Paso shall permit representatives of those having submitted acceptable plans free and complete access to its books, records and accounts, and shall freely provide any and all information requested by such parties, provided, however, requests which El Paso deems unnecessary or unreasonable shall be referred to this Court, and this Court shall summarily determine whether or not El Paso shall be required to furnish the requested information.

(E) Following the period prescribed in subsection (D), [fol. 64] those having submitted plans found acceptable to the Court pursuant to subsection (C) shall submit their complete and detailed plans of acquisition to the Court together with any modifications of the Plan of Divestiture heretofore approved, and the matter will be set for hearing at the pleasure of this Court.

(F) After due hearing of the views of the parties, those having submitted acceptable plans, and of such others as the Court may designate, the Court shall designate the entity to acquire the assets to be divested.

(G) Following the designation of the entity to acquire the assets to be divested, the approved plan of divestiture shall be accomplished with all possible dispatch, provided, however, that the transfer of physical assets shall be deferred pending appropriate authorization from the Federal Power Commission for such transfer, and further provided that during the period of time between the approval by this Court of an acquisition plan and the actual transfer of physical assets, El Paso shall be deemed a trustee for the benefit of the acquiring entity, shall strictly account for receipts, expenditures, and utilization of assets to be divested, and is enjoined from diverting any of the assets to be divested to its own use or otherwise impairing prospective title thereto, provided, however, that during such period El Paso may with the consent of the acquiring entity, and shall at the request of the acquiring entity, do all things necessary and consistent with the primary utility purposes of the acquiring entity, all subject to the continuing jurisdiction of this Court and the jurisdiction of the Federal Power Commission under the Natural Gas Act.

(H) Upon approval of an acquisition plan by this Court the acquiring entity shall promptly and without delay apply to the Federal Power Commission for authority to operate the assets to be divested by El Paso, and El Paso [fol. 65] shall promptly and without delay apply to the Federal Power Commission for authority to transfer or abandon the assets to be divested. El Paso shall furnish all possible aid and assistance to the acquiring entity in furtherance of this provision.

(I) Upon issuance of proper authority pursuant to paragraph H, El Paso shall deliver to the acquiring entity title to all assets to be divested, and shall assign and transfer all contracts, leases and other documents evidencing right,

title or interests in properties to be divested to the acquiring entity.

(J) Simultaneously with compliance with paragraph (I), the acquiring entity shall assume the corporate obligations in the amount and of the nature described in the Plan of Divestiture, subject to such modifications as may have been prescribed pursuant to subsections (C) through (G), inclusive, of this paragraph of this decree, provided, however, that all expense incident to the assumption of such corporate obligations shall be paid by El Paso, if assumed pursuant to the Plan of Divestiture, and if not so assumed, refunding expenses shall be borne as the Court shall have directed pursuant to subsections (C) and (F).

(K) The stock of the Westcoast Transmission Company held by Pacific Northwest Pipeline Corporation shall be transferred to the acquiring entity immediately upon designation of that entity by this Court notwithstanding any other provision of this decree.

(L) The acquiring entity shall not effect a merger with the Northwest Production Company without prior authorization for such merger by the Federal Power Commission.

(M) Subsequent to the issuance of authority by the Federal Power Commission described in subsection (H), all relations between El Paso and the acquiring entity shall be subject to the provisions of the Natural Gas Act, and either El Paso or the acquiring entity, or both, may apply [fol. 66] to the Federal Power Commission for alteration or modification of any such relations notwithstanding the provisions of this decree.

V

Defendant El Paso is enjoined and restrained from:

(A) Except as contemplated in this Decree, acquiring any capital stock or financial interest whatsoever in the acquiring entity or any assets thereof;

(B) For ten (10) years after the date of entry of this Decree, acquiring or holding after such acquisition, directly or indirectly, any natural gas transmission properties in the United States, or any of the capital stock, of any person engaged in the transmission of natural gas in the United States except with the approval of the Plaintiff herein or after establishing to the satisfaction of this Court, upon notice to the Plaintiff, that the effect of such acquisition will not be to substantially lessen competition or tend to create a monopoly in any line of commerce in any section of the country;

(C) Having any person as an officer or director who is at the same time:

(1) an officer, director or employee of the acquiring entity;

(2) the owner of any capital stock of the acquiring entity or a person a member of whose immediate family is the owner of any capital stock of the acquiring entity.

(D) Employing, during a period of five (5) years from the date New Company shall first start service, any employee of New Company without first obtaining the consent in writing of New Company.

VI

For the purpose of determining or securing compliance with this Decree, duly authorized representatives of the [fol. 67] Department of Justice, shall, on written request of the Attorney General or the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to either El Paso or the New Company, made to its principal office, be permitted, subject to any legally recognized privilege and with the right of said Defendant to have counsel present:

(A) Reasonable access, during office hours of such Defendant, to all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of such Defendant, relating to any matters contained in this Decree; and

(B) Subject to the reasonable convenience of such Defendant and without restraint or interference from it, to interview officers or employees of such Defendant, who may have counsel present, regarding any matters contained in this Decree;

Upon written request, such Defendant shall submit such reports in writing with respect to matters contained in this Decree as may from time to time be necessary to the enforcement of this Decree.

VII

This Court shall retain continuing jurisdiction in the above-entitled matter until such time as it shall determine that divestiture as prescribed herein is effective and complete.

Dated at Salt Lake City, Utah, this ..... day of ...., 1965.

....., United States District Judge.

[fol. 68]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

UNITED STATES OF AMERICA, Plaintiff,

vs.

EL PASO NATURAL GAS COMPANY and PACIFIC NORTHWEST PIPELINE CORPORATION, Defendants,

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Amicus Curiae.

STATEMENT OF THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION AMICUS CURIAE—Filed June 16, 1965

On May 24, 1965, a stipulation between the primary parties to this proceeding, signed by their respective attorneys, was filed in the above-entitled court. Attached to this stipulation was a proposed Decree for Distribution, which according to the stipulation, could be filed and entered by the court upon the motion of either party or upon the court's own motion at any time after the expiration of thirty (30) days following the date of filing of the stipulation. It was further stipulated by and between the respective parties that within the said thirty days the court may hear the view of any affected person as an *amicus curiae*. The Washington Utilities and Transportation Commission is availing itself of this opportunity to be heard as an *amicus curiae* in order that the court may be apprized of the effect that the proposed Decree for Distribution will [fol. 69] have upon the interests of consumers of natural gas in the State of Washington.

[File endorsement omitted]

Interest of the Washington Utilities and Transportation Commission in the Proposed Decree for Divestiture Constitutes It an Affected Party.

The Washington Utilities and Transportation Commission is charged under the provisions of RCW 80.01.040 with the duty of regulating in the public interest the rates, services, facilities and practices of companies engaging within the State of Washington in the business of supplying any utility service or commodity, including natural gas, to the public for compensation. By the provisions of RCW 80.28.020, the commission has the duty of determining just and reasonable rates and practices to be observed by such companies. It is a primary obligation of the commission to protect the users and consumers of natural gas, and the public generally, from unjust and unreasonable exactions and practices and to obtain for them adequate service under just and reasonable rates and practices. To this end this commission represents the interests of users and consumers in controversies before any federal court or commission involving matters affecting rates and practices.

Prior to merger Pacific Northwest Pipeline Corporation was the sole supplier of natural gas to distribution companies in the State of Washington. Since the merger El Paso Natural Gas Company has succeeded to that position. Upon divestiture the new company will become the sole supplier of natural gas to the distribution companies in our state.

The new company, as the sole supplier of natural gas to our area, will commence business with a capital structure and investment, a balance sheet, a gas supply and [fol. 70] projected revenues and expenses, which is dictated by the details of the proposed Decree for Divestiture presently before this court. The details of this proposed divestiture decree will determine the new company's ability to render service under reasonable rates and practices as they affect the interests of consumers in the State of Washington.

We recognize that after a divestiture decree is entered and approved by this court the new company will be required to procure from the Federal Power Commission a certificate under Section 7 of the Natural Gas Act. We would observe, however, there is no assurance the jurisdiction of the FPC over certification of the facilities of the new company offers an effective forum where the details of that application become fixed in many substantial particulars by the terms of the divestiture decree. The FPC may be reluctant to determine anything more than whether the company emerging under the divestiture decree meets the minimum requirements for certification for present markets. The FPC may have, and probably would have, jurisdiction over the rate portion of any contracts between El Paso and the new company that may come into being as a result of the divestiture or otherwise. We have no assurance, however, that in the Section 7 proceeding the FPC could require El Paso to divest to the new company additional San Juan reserves to which it might be entitled, to reinstate the pre-merger arrangement pertaining to disposition of Kingsgate gas, to require El Paso to modify the divestiture plan so as to have recognized on the new company's balance sheet the contributions made by Pacific Northwest tax loss carry forwards which substantially reduced El Paso's federal income tax liability, or to require divestment by El Paso to the new company of Westcoast stock previously owned by Pacific Northwest. These are [fol. 71] matters of utmost interest to the Washington Commission in its capacity as the guardian of the public interest of our consumers in our area, and are matters which can be reached by the tribunal having primary jurisdiction over divestment. Such tribunal of course, is this court.

Thus, clearly the Washington Utilities and Transportation Commission is an affected person or party within the contemplation of the aforesaid stipulation.

With the time now at hand, we cannot emphasize too strongly our concern over the fact that under the proposed

Decree for Divestiture there is *no* requirement that El Paso divest to new company the additional San Juan reserves to which it is entitled, there is *no* provision to reinstate the pre-merger arrangement pertaining to disposition of Kingsgate gas, there is *no* requirement that El Paso modify its original divestiture plan so as to have recognized on the new company's balance sheet the contribution made by Pacific Northwest tax loss carry forwards which substantially reduced El Paso's federal income tax liability, and there is *no* requirement that El Paso divest to new company the Westcoast stock previously owned by Pacific Northwest. There is, however, a provision whereby El Paso must divest itself of all legal and equitable right, title and interest in the Westcoast stock within one year, with the proceeds of said sale, of course, going to El Paso.

It is imperative that this commission bring to the court's attention at this time the significance of these items insofar as new company is concerned. While it will not be the function of this court in approving a divestiture decree to also issue a certificate, nevertheless it will be within the jurisdiction of this court to determine the conditions and [fol. 72] facts and circumstances upon which the new company will proceed to seek a certificate.

I. Proposed Decree of Divestiture Should Be Modified to Assure Divestment to New Company of a Fair Share of El Paso's Post-Acquisition and Merger San Juan Basin Reserve Increases.

We do not believe the test of legality of El Paso's divestiture proposal is in any way sustained by a showing a new company is created that is as near as may be to what Pacific Northwest was *before* the stock or asset acquisition. By acquisition and merger El Paso was freed of any competition from the acquired company in garnering additional reserves in the San Juan Basin. The Supreme Court noted Pacific Northwest at the end of 1957 "had an estimated 3.51 trillion cubic feet of gas reserves owned outright in

the San Juan Basin; 1.04 trillion under contract in the San Juan Basin; . . . " Certainly the fact Pacific Northwest acquired such huge reserves in the San Juan Basin indicates its appraisal of the attractiveness of this gas reserve area. El Paso likewise found the area attractive as demonstrated by its continuing acquisition of reserves in this area. And this continuing acquisition came about absent any competition for the same from Pacific Northwest.

To transfer to new company only the San Juan Basin reserves Pacific Northwest had at at the time of acquisition or merger, leaving to El Paso all the after-acquired San Juan Basin reserves, would be to reward El Paso for its violation of the Clayton Act. This we contend would not be an appropriate result from a divestiture decree which should be designed to remedy the wrong occasioned by the Clayton Act violation. We recognize it is not the function of a divestiture decree to impose a penalty upon the com- [fol. 73] pany causing the violation and what we propose is not a penalty in any sense. What we propose is necessary, however, unless new company is to start operations with a penalty imposed upon it by way of a lesser quantity of San Juan Basin reserves than Pacific Northwest would probably have had except for its illegal acquisition and merger.

At this point we expect El Paso to complain that we are engaging in improper speculation. Admittedly no one can say with certainty that, if there had been no stock or asset acquisition, Pacific Northwest would have continued to be as successful in garnering San Juan Basin reserves in competition with El Paso. We do know, however, it had already developed huge reserves there in competition with El Paso and that its status as an El Paso competitor in the development of additional reserves was eliminated by El Paso's stock acquisition and subsequent merger action. As noted by the Supreme Court, Pacific Northwest was prospering and appeared strong enough to warrant a treaty with El Paso that protected El Paso's California markets. In the divestiture there must be assurance that the conse-

quences of this illegal treaty are not perpetuated by the manner of divestiture. As pointed out in the Supreme Court opinion, Pacific Northwest had proximity to the California markets and had "enormous reserves in the San Juan Basin." Reserves in that area are particularly well situated for service to California. The court said that had Pacific Northwest remained independent, there would have been no doubt it would have sought to exploit this formidable geographical position. The order (November 30, 1959) of the Federal Power Commission examiner in the merger proceedings (Docket G-13018 and G-13019) provides further evidence of the fact that Pacific was, and would have [fol. 74] continued to be, a competitor for gas in the San Juan Basin area. As stated on page 31 of said order:

> "So far as El Paso and Pacific, as separate companies, are concerned, Pacific will be eliminated by the merger as a competitor for available gas reserves in producing fields economically accessible to both it and El Paso. Pacific would definitely be a competitor in the San Juan Basin, . . ."

Thus it is imperative that new company be restored a proper share of the San Juan Basin reserves acquired by El Paso subsequent to merger when El Paso was freed of the competition for the same by the illegal acquisition of and merger with Pacific. Unless this be accomplished new company will have visited upon it a penalty by El Paso which would serve to perpetuate the consequences of the antitrust violation upon which the Supreme Court decision was rested.

It appears that El Paso places great reliance upon its portrayal that the reserve life index and deliverability life of both new company and remaining El Paso will be approximately the same under the divestiture proposal. We would caution that this is not a test of propriety of the divestiture proposal for the reason that there is no showing of what El Paso's reserve life index and deliverability life was prior to the stock and asset acquisition. But in

any event we are here concerned with the proposition that the new company should have divested to it additional San Juan Basin reserves to which it is entitled.

Certain data has been submitted with relation to reserves in the San Juan Basin. The data submitted purports to reflect reserves evaluated by El Paso's present methods. Subsequent to merger El Paso has acquired over three trillion cubic feet of gas reserves in the San Juan Basin. [fol. 75] Of this amount El Paso has acknowledged that approximately two trillion cubic feet constitute reserves acquisitions as to which it had no prior options. Whether the remainder was acquired pursuant to prior options has not been adequately demonstrated. The data submitted by El Paso further shows that between January 1, 1957 and January 1, 1960 it acquired reserves in excess of one trillion cubic feet in the San Juan Basin as to which it had no prior options, resulting in approximately three trillion cubic feet of San Juan Basin gas acquired after 1957 as to which it had no prior option. El Paso proposes to divest to new company none of these San Juan Basin reserves acquired by El Paso subsequent to the stock acquisition or the asset merger. As of both the date of stock acquisition and merger El Paso's own portrayal to applicant of reserves establishes that Pacific Northwest had approximately 20% of the combined reserves of Pacific and El Paso in the San Juan Basin. We have previously demonstrated that it is totally unreasonable to assume that an independent Pacific Northwest could not have been an aggressive competitor for these added San Juan Basin reserves. We contend new company is entitled to have divested to it approximately 20% of the aforesaid three trillion cubic feet of additional San Juan Basin reserve acquisitions.

II. Proposed Decree of Divestiture Should Be Modified to Require Reinstatement of Pre-Merger Arrangement Pertaining to Disposition of Kingsgate Gas.

Subsequent to acquisition of control but prior to merger, arrangements had been completed between El Paso and

Pacific Northwest pertaining to the disposition of the Kingsgate gas. This is referred to as the X-5 Schedule. Any of the quantities of such gas as were not needed by [fol. 76] Pacific Northwest would be purchased by El Paso at Pacific Northwest's costs under an exchange arrangement. Under the proposed Decree of Divestiture El Paso would substitute for that arrangement a new form of contract as included under Tab 5 of its proposal for divestiture.

The arrangement previously referred to had been arrived at prior to merger. It appears to be El Paso's contention that the arrangement was developed subsequent to acquisition of control and that therefore it is under no obligation to continue with that arrangement upon divestiture. We submit that an arrangement entered into between the two companies at such time as El Paso had a pecuniary interest in the result of that arrangement upon Pacific Northwest is an excellent indication of what El Paso thought was fair to Pacific Northwest. Such arrangement should not be abrogated.

It is not now for the court to become concerned with all of the possible technical contentions that may be advanced with relation to Kingsgate gas but rather the court may well proceed on the basis that an arrangement found fair by El Paso at such time as it had a pecuniary interest in Pacific Northwest should be continued. This should be particularly true in the instant circumstances when there is not now an independent management of the new company whose views can be heard.

III. Proposed Decree of Divestiture Should Be Modified to Require Recognition on New Company's Balance Sheet of Contribution Made by Pacific Northwest Tax Loss Carry Forwards Which Substantially Reduced El Paso's Federal Income Tax Liabilities.

From information furnished applicant by El Paso it appears El Paso was able to reduce its federal income tax

[fol. 77] liability by over $25,000,000.00 by the utilization of previous tax loss carry forwards of Pacific Northwest. These tax loss carry forwards were obviously of great value to El Paso and it is safe to assume that their existence was most attractive to El Paso in determining to absorb Pacific Northwest. They may be characterized as being of the same nature as an acquired asset. There is probably no way of restoring them to new company. However, every effort must be made to have recognized upon the balance sheet of the new company the fact that El Paso has gained many millions of dollars (by way of tax reduction) from the acquisition. This benefit could be reflected in the new company's accounts by reducing the capital stock account by approximately $5,000,000.00 and increasing the account "Accumulated Deferred Federal Tax on Income" to approximately $25,000,000.00.

In any event, no matter what treatment be ordered as a result of El Paso's having been able to substantially reduce its federal income tax liability on this account, it must be stressed that El Paso will remain a beneficiary to this extent of its absorption of Pacific Northwest. This should be kept in mind in evaluating the reasonableness of our suggested modifications to the proposal for divestiture, and particularly the modification next discussed.

IV. Proposal Should Be Modified to Require Divestment by El Paso to New Company of the Westcoast Transmission Company Common Stock Previously Owned by Pacific Northwest.

At the time of acquisition of Pacific Northwest by El Paso the former company was the owner of a substantial number of shares of common stock of the Westcoast Trans- [fol. 78] mission Company. This stock represented an asset on the books of Pacific Northwest. El Paso's divestiture plan does not propose that such asset be divested to new company.

It is our claim that inasmuch as this stock did represent an asset of the acquired company, it should be returned to the new company. Whether the new company is to be allowed to retain such stock is of no moment. If for antitrust reasons or otherwise it is to be required to dispose of such stock the new company should be the beneficiary of the proceeds of the sale. The stock should be divested to new company at Pacific Northwest's purchase price as carried on Pacific Northwest's balance sheet prior to merger the same as will be so with any other former Pacific Northwest asset divested to new company. Any disposition of such stock at today's market price would result in a profit. There is no reason such profit should not inure to new company as successor to Pacific Northwest which owned the asset prior to merger.

V. The Proposed Decree of Divestiture Should Be Modified to Require a Continuation of the Former San Juan Basin Gathering Charge Until Such Time as a Change Therein May Be Approved by the Federal Power Commission.

El Paso's proposed contract as contained under Tab 4 of its proposal for divestiture would establish a San Juan Basin gathering charge of 4.5¢ per mcf. It appears to be El Paso's position that the 4.5¢ proposed charge is one that can be supported before the Federal Power Commission, which will have continuing jurisdiction over the gathering charge. Whether El Paso is right or not is beside the point. The point is that El Paso seeks to impose in this divestiture proceeding a gathering charge at a rate not yet approved by the FPC and differing materially from the only gathering charge previously employed between [fol. 79] El Paso and Pacific Northwest. The 4.5¢ charge should not be made a part of the proposed Decree of Divestiture establishing the conditions under which the new company will seek certification from the FPC. The divestiture decree should contain a provision that El Paso, not

the new company, should be required to sustain the burden of establishing before the FPC the reasonableness of the proposed gathering charge. In the meantime appropriate footnoting of any projected earnings statement can eliminate any possibility of misleading potential security holders.

[fol. 80] Conclusion

The Washington Utilities and Transportation Commission filed its Application for Leave to Intervene on May 14, 1964, and a formal order denying this application was entered by the court on January 22, 1965. While the Washington Commission is not a party to this proceeding, it does feel obligated to take this opportunity to appear as an *amicus curiae* in order to again express the continuing position of this Commission. We wish to reiterate to the court that this position was not and is not one of outright opposition to the general plan of divestiture (El Paso Ex. A) as such, but does seek certain essential modifications. We therefore strongly urge that the proposed Decree for Divestiture be modified in accordance with these views.

Respectfully submitted,

John J. O'Connell, Attorney General; Frank P. Hayes, Assistant Attorney General; Robert E. Simpson, Assistant Attorney General, Attorneys for Applicant, Washington Utilities and Transportation Commission.

Office and Post
Office Address:

Temple of Justice
Olympia, Washington

[fol. 81] Certificate of Service (omitted in printing).

[fol. 82]

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

CENTRAL DIVISION

Civil Action No. 143-57

[Title omitted]

APPLICATION FOR LEAVE TO INTERVENE—
Filed June 22, 1965

Comes Now the Southern California Edison Company (Edison), a California corporation, which respectfully moves the Court for leave to intervene in the above-entitled action, pursuant to Rules 24(a)(2), 24(a)(3) and 24(b)(2) of the Federal Rules of Civil Procedure, and in support of its application Edison alleges:

I

That it is a corporation, incorporated under the laws of the State of California, and engaged therein as a public utility in the generation, transmission, distribution and sale of electricity in the southern California area; the population of the territory served by Edison is estimated to exceed six million people. Edison is subject to regulation by the Public Utilities Commission of the State of California, as well as by the Public Service Commission of Nevada and the Federal Power Commission.

II

Edison is one of the largest consumers of natural gas in the State of California; in 1964, for example, it used [fol. 83] natural gas for over 75 per cent of its fuel requirements in the generation of electricity and burned over

[File endorsement omitted]

189 billion cubic feet of natural gas at a cost of approximately $65 million. The cost to Edison of continuing to supply satisfactory electric service to the area is significantly affected by the cost to it of its fuel supplies, its fuel cost representing its largest classification of expense other than taxes and labor.

III

By stipulation filed with the above-entitled Court on or about May 24, 1965, between the Department of Justice and El Paso Natural Gas Company, a proposed form of decree for divestiture was lodged with the Court. The form of the proposed decree covered by the said stipulation would, if made effective by the Court, perpetuate a number of the significant features of the plan of divestiture originally proposed by El Paso to which the Department of Justice had previously taken serious issue because of the tendency of such proposal by El Paso to perpetuate the very anti-competitive effects this litigation was intended to prevent. As reflected in its decision (12 L.ed. 2d 12, 15), the ultimate issue before the Supreme Court in this litigation was whether the acquisition by Pacific Northwest Pipeline Corporation b El Paso Natural Gas Company substantially lessened competition in the sale of natural gas in California. The same decision, at page 16, reflects the negotiations for the sale of natural gas which Edison had had with Pacific Northwest Pipeline Corporation before the merger and applicant's legitimate interest in securing the benefits of competition between suppliers. The Supreme Court concluded that the effect of the acquisition of Pacific [fol. 84] Northwest Pipeline Corporation by El Paso Natural Gas Company tended to lessen competition within the meaning of the Clayton Act, and directed this Court to order divestiture without delay (12 L.ed. 2d 12, 20).

Before the filing of the aforesaid stipulation between the Department of Justice and El Paso Natural Gas Company on or about May 24, 1965, the applicant, Edison, be-

cause of the position then being taken by the Department of Justice in the litigation, considered that its interests were being adequately protected. The filing of the stipulation on or about May 24, 1965, containing as it does substantial changes in the position of the government, has led applicant to conclude that the representation of its interests by existing parties is, or may be, inadequate and that the applicant is, or may be, bound by a judgment in the action; this conclusion necessarily results from the circumstance that none of the said parties in the proceeding is any longer in a position to protect applicant's interest, in view of the stipulation which has been filed. This application on behalf of Edison for leave to intervene is being filed within a reasonable time after it first became known to applicant through the filing of the aforesaid stipulation of such substantial change in circumstances, and under these circumstances this application is timely filed.

IV

Applicant is informed and believes and, upon such information and belief, alleges that the proposed decree covered by the stipulation now on file with this Court would not enable New Company to be in a position to compete in the California market and would not fulfill the man- [fol. 85] date of the Supreme Court, thus prejudicing substantially the interests of the gas consumers in California, including the applicant, Edison. To the extent that New Company under the proposed decree is not so constructed as to be able to resume the competitive position in California which Pacific Northwest Pipeline Corporation, before the merger, had been able to take, the gas consumers in California, including applicant, would not have available to them the competitive situation to which they are entitled and would be deprived of the economic benefits ordered to be restored by the Supreme Court.

V

Applicant, Edison, if permitted to intervene, proposes to show by evidence that under the proposed plan of divestiture covered by the aforesaid stipulation New Company, as previously indicated in the proceedings by the Department of Justice before the said stipulation was entered into, would not be in a position to compete as effectively for the California market as the Pacific Northwest Pipeline Corporation would have been but for El Paso Natural Gas Company's illegal merger with it.

VI

As provided in the aforesaid stipulation, applicant has heretofore submitted to this Court a statement of its views as an affected person by letter dated June 11, 1965, a copy of which is attached hereto marked Exhibit "A" and by reference made a part hereof as fully as though set forth at length herein.

VII

Edison has a right to intervene because:

a. It is so situated that it will be adversely affected by this Court's disposition of the property to New [fol. 86] Company in the manner contemplated in the proposed form of decree (Rule 24(a)(3) of the Federal Rules of Civil Procedure).

b. Additionally, it will be bound by the judgment and, because of the stipulation filed herein, it will no longer be represented adequately in this proceeding (Rule 24(a)(2) of the Federal Rules of Civil Procedure).

c. Alternatively, applicant, Edison, is entitled to permissive intervention because its claims and the main action have common questions of law and fact (Rule 24(b)(2) of the Federal Rules of Civil Procedure).

VIII

If granted the right to intervene, applicant proposes to show by evidence that under the proposed decree covered by the aforesaid stipulation, New Company will not be as capable of competing in the California market as the former Pacific Northwest Pipeline Corporation would have been but for the illegal merger with El Paso Natural Gas Company, and that the mandate of the Supreme Court ordering divestiture without delay will not have been met. Such intervention will not broaden the issues or unduly prolong the proceeding. In the light of the material which has already been made a part of the record, the presentation of applicant's proposed direct evidence should not consume more than one or two days.

Wherefore, applicant prays that the Court enter an [fol. 87] order permitting it to intervene in these proceedings.

Respectfully submitted,

Senior & Senior, By Francis M. Gibbons, 10 Exchange Place, Salt Lake City, Utah 84111, Attorneys for Southern California Edison Company.

Of Counsel

Rollin E. Woodbury, Harry W. Sturges, Jr., William E. Marx, Post Office Box 351, Los Angeles, California 90053.

[fol. 88]

Memorandum of Points and Authorities

1. Applicant is entitled to intervene as a matter of right. Rules 24(a)(3) and 24(a)(2) of Federal Rules of Civil Procedure.

2. In determining timeliness of motion made under Rule 24(a), court should consider circumstances affecting the time of filing. *Pellegrino* v. *Nesbit*, C.A.9th, 1953, 203

F.2d 463; *Wolpe* v. *Poretsky*, 1944, 144 F.2d 505 (cert. den. 323 U.S. 777).

3. Alternatively, applicant is entitled to permissive intervention. Rule 24(b)(2) of Federal Rules of Civil Produre.

[fol. 89] Proof of Service (omitted in printing).

[fol. 91]
CLERK'S NOTE:

Exhibit A to Application for Leave to Intervene, "Letter dated June 11, 1965 to Honorable Willis W. Ritter from Southern California Edison Company" is omitted from the record here as it appears on page 2040 *supra*.

[fol. 99]

IN UNITED STATES DISTRICT COURT

TELEGRAM—Filed June 23, 1965

613P PDT JUN 22 65 LB587 KB447
K CYA109 PD 1 EXTRA CHEYENNE WYO 22 346P MST
THE HONORABLE WILLIS W RITTER,
CHIEF JUDGE

UNITED STATES DISTRICT COURT DISTRICT OF UTAH, CENTRAL DIVN

FEDERAL POST OFC BLDG SALT LAKE CITY UTAH
RE: UNITED STATES V. EL PASO NATURAL GAS COMPANY, ET AL., CIVIL NO. 143-57. WHEREAS, PURSUANT TO THE FINAL DIVESTITURE DECREE ENTERED BY THE UNITED STATES DISTRICT COURT IN THE ABOVE CAPTIONED MATTER PERMITTING OBJECTIONS AND COMMENTS TO BE FILED WITHIN 30 DAYS, THE WYOMING PUBLIC SERVICE COMMISSION DEEMS IT PROPER TO RE-

[File endorsement omitted]

AFFIRM ITS POSITION IN FAVOR OF THE DIVESTITURE PLAN AS FINALLY DECREED IN THIS MATTER BY THE HONORABLE UNITED STATES DISTRICT COURT, FOR THE REASONS AND PURPOSES AS SET FORTH IN THE BRIEF OF THE WYOMING PUBLIC SERVICE COMMISSION FILED IN THIS PROCEEDING ON DECEMBER 2, 1964

(NAME ILLEGIBLE) SECRETARY WYOMING PUBLIC SERVICE COMM

[fol. 100]

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

CENTRAL DIVISION

Civil Action No. 143-57

[Title omitted]

STATEMENT IN SUPPORT OF PROPOSED DIVESTITURE DECREE —Filed June 23, 1965

To the Honorable Judge of the Above-Entitled Court:

In response to permission from this Honorable Court, the Public Utilities Commission of the State of California (California PUC) takes this opportunity to express its support of the proposed divestiture decree filed in this proceeding on May 24, 1965.

1. In its motions to intervene and motions to intervene as *amicus curiae*, and in oral argument in support of said motions, the California PUC stated it would not propose to raise antitrust issues in this proceeding, but would restrict its activities to regulatory matters; i.e., those matters having to do with the continuing ability of defendant El Paso Natural Gas Company (El Paso) to serve

[File endorsement omitted]

the expanding California markets at reasonable rates. Thus we make no comment on the ownership of the stock of New Company and El Paso proposed in the stipulation.

[fol. 101] 2. The California PUC supports the division of the San Juan Basin reserves contemplated in the stipulation and proposed decree filed May 24, 1965, and supports the proposition that the Federal Power Commission should be permitted to exercise its regulatory jurisdiction over contracts between El Paso and New Company.

The California PUC therefore urges this Court to accept the stipulation and adopt the proposed decree filed with it on May 24, 1965.

Respectfully submitted,

Richard E. Tuttle, Attorney and Chief Counsel for the Public Utilities Commission of the State of California.

Dated: June 22, 1965

[fol. 102] Certificate of Service (omitted in printing).

[fol. 104]

IN UNITED STATES DISTRICT COURT

TELEGRAM—Filed June 23, 1965

WU028

1232P PDT JUN 23 65 LC155 PRB120
PR BOA102 PD BOISE IDA 23 1139A MST
HON WILLIS W RITTER, CHIEF JUDGE
US DISTRICT COURT FEDERAL BLDG
SALT LAKE CITY UTAH

RE: EL PASO DIVESTITURE CIVIL NO 143-57 INTERMOUNTAIN GAS COMPANY, GAS DISTRIBUTION COMPANY OPERATING IN SOUTHERN IDAHO, RESPECTFULLY ADVISES THE COURT THAT IT APPROVES AND SUPPORTS THE EL PASO DIVESTITURE PLAN PRESENTLY BEFORE THE COURT. THIS COMPANY BELIEVES THE PLAN ADEQUATELY PROTECTS THE INTERESTS OF PIPELINE CUSTOMERS AND IS FAIR TO THE INVESTORS

CLAUDE MARCUS COUNSEL INTERMOUNTAIN GAS COMPANY

(28).

[File endorsement omitted]

[fol. 104-1]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

C 143-57

UNITED STATES OF AMERICA, Plaintiff,

—v.—

EL PASO NATURAL GAS COMPANY, et al., Defendants.

Salt Lake City, Utah

Before: The Honorable WILLIS W. RITTER, Chief Judge.

Transcript of Proceedings—June 24, 1965

APPEARANCES:

For the Plaintiff:

Larry L. Williams, Esq., Antitrust Division, Department of Justice, Washington, D. C.
William T. Thurman, Esq., U. S. Attorney, 200 P. O. & Courthouse Bldg., Salt Lake City, Utah.

For defendant El Paso:

Gregory A. Harrison, Esq., Robert S. Daggett, Esq., Atherton Phleger, Esq., Brobeck, Phleger & Harrison, 111 Sutter Street, San Francisco, California.

[fol. 104-2] Leon M. Payne, Esq., Andreus, Keith, Campbell & Jones, 25th Floor Humble Bldg., Houston, Texas.

[File endorsement omitted]

Dennis McCarthy, Esq., Van Cott, Bagley, Cornwall & McCarthy, 141 East First South, Salt Lake City, Utah.

Applicants for Intervention:

State of Oregon:

Richard W. Sabin, Esq., Asst. Attorney General, Public Service Bldg., Salem, Oregon.

Washington Natural Gas Co.:

A. W. Sandack, Esq., 606 El Paso Gas Bldg., Salt Lake City, Utah.

Mountain Fuel Supply Co.:

Joseph S. Jones, Esq., 800 Walker Bank Bldg., Salt Lake City, Utah.

Paradox Production:

Brigham E. Roberts, Esq., Judge Building, Salt Lake City, Utah.

Southern California Gas Company and Southern Counties Gas Company of California:

Roger J. Nichols, Esq., 810 South Flower St., Los Angeles, California.

Southern California Edison Co.:

Rollin E. Woodbury, Esq., William E. Marx, Esq., Post Office Box 351, Los Angeles, California 90053.

Francis M. Gibbons, Esq., Newhouse Building, Salt Lake City, Utah.

[fol. 104-3] Also Present:

Paul B. Cannon, Esq., 920 Continental Bank Bldg., Salt Lake City, Utah, Representing Pacific Western Pipeline Corp.

[fol. 104-4] June 24, 1965

COLLOQUY BETWEEN COURT AND COUNSEL

The Court: El Paso Natural Gas matter.

Mr. Harrison: If your Honor please, may I proceed?

The Court: Yes, please do.

Mr. Harrison: If your Honor please, on May 24, 1965 there was presented to this court and filed herein a stipulation between the parties for the entry of a decree of divestiture. In that stipulation it was provided that, after filing with the court, either party might move, or the court upon its own motion could act, after the expiration of 30 days following the date of the filing of the stipulation.

The purpose of the 30 days expressed in the stipulation was to afford to any parties considering themselves affected to express to this court any changes which they might advocate.

The 30-day period has now expired and, in behalf of El Paso Natural Gas Company, we wish to move for entry of the decree attached to the stipulation.

In that connection we thought perhaps it was appropriate that the record should embody statements filed by certain individuals or corporations considering themselves affected, and that includes the following:

A statement from Southern California Edison Company dated June 11, 1965, which we ask be made a part of this record and for which purpose we present the same to the clerk.

[fol. 104-5] The Court: Yes, the motion is granted. It may be part of the record.

Mr. Harrison: Next we present to the clerk and ask to be entered as part of the record a statement of the Washington Utilities and Transportation Commission as amicus curiae dated the 14th day of June, 1965.

The Court: It may be made part of the record. Motion is granted.

Mr. Harrison: We make the same motion with respect to a statement or memorandum presented to this court on

behalf of the Public Utilities Commissioner of the State of Oregon.

The Court: The motion is granted. It may be made a part of the record.

Mr. Harrison: And finally we make the same motion with respect to a statement in support of the proposed divestiture decree filed in behalf of the Public Utilities Commission of the State of California.

The Court: The motion is granted. It may be made a part of the record.

Mr. Harrison: And so far as El Paso Natural Gas Company is informed, this constitutes the only memoranda or statements filed recommending changes or alterations in the decree, or commenting thereon.

The Court: There is one other that came yesterday to [fol. 104-6] the Court, two others, I believe. This one is a telegram. It was filed in the court clerk's office June 23rd. That was yesterday. Signed by Claude Marcus, counsel, Intermountain Gas Company. I think I will just turn this whole file over to the clerk. On my own motion that will be made a part of the record. The telegram reads:

"Re: El Paso Divestiture, C 143-57.

"Intermountain Gas Company, a gas distribution company operating in Southern Idaho, respectfully advises the court that it approves and supports the El Paso divestiture plan presently before the Court. This company believes the plan adequately protects the interests of pipeline customers and is fair to the investors."

It is signed "Claude Marcus, Intermountain Gas Company."

There was one other telegram which was sent to me, and I see—yes, it was filed yesterday, June 23. This is from Alex J. Eliopulos, Secretary of the Wyoming Service Commission. And, without reading the whole thing, they say that the Wyoming Public Service Commission reaffirms its position in favor of the divestiture plan as finally decreed in this matter by the court.

I believe that is all that we have received. Those two were received in addition to the ones you mentioned.
[fol. 104-7] I think that is all.

Mr. Gibbons: Your Honor, the Southern California Edison Company heretofore filed its application to intervene, as it expected that that would be considered apart from these matters.

The Court: You mean this happened a long time ago, their motion to intervene?

Mr. Gibbons: Just two days ago, your Honor.

The Court: I didn't understand it was a motion to intervene. I understood it was a motion to appear as amicus.

Mr. Gibbons: No, sir. There was, in addition to the letter that has been referred to—

The Court: I haven't seen it.

Mr. Gibbons (Continuing): —an application for leave to intervene that was filed day before yesterday.

Mr. Harrison: I haven't received notice of any such motion. I think it is entirely out of time if it were otherwise valid.

The Court: The proceedings are over.

Mr. Gibbons: I wonder, your Honor, at this point if it would be appropriate to move the admission, for the purpose of this hearing, of two attorneys from Southern California Edison.

The Court: Yes, have them come forward.

Mr. Gibbons: Your Honor, I would like to introduce [fol. 104-8] Mr. Rollin E. Woodbury on my immediate left and Mr. William E. Marx, both of whom are attorneys on the legal staff of the Southern California Edison Company. Both of these gentlemen are members of the California Bar, admitted to practice before its Supreme Court and admitted to practice before the Federal District Court in California. I respectfully move that both of these men be admitted to practice before this court for the purpose of the matter now before it.

The Court: They may be admitted for the purposes of this case only.

Mr. Woodbury: Thank you, your Honor.

Mr. Marx: Thank you, your Honor.

Mr. Harrison: I don't know what we are supposed to do with this so-called petition for intervention. I have never seen it, your Honor.

The Court: I know. The position I have taken about this hearing this morning is that if there is anybody who wants to make any representations to the Court, either in writing or orally, you may do so. I don't want to be in a position of precluding someone from making a statement. But I don't know what it contains yet. I want to extend to these gentlemen that courtesy. They have come up here. As a matter of fact, I have a wire from Mr. Sabin up in Oregon saying he didn't know quite how to proceed; I had denied their motion to intervene earlier and their applica-
[fol. 104-9] tion for leave to appear as amicus. So he said, "Are you going to hear us or aren't you?"

And I wired him and said we would be pleased to hear whatever he had to say. And I am going to extend that courtesy to anybody else who has anything he thinks might be helpful to the Court.

In this matter we are pretty far down the road, however, to be talking about motions to intervene. I haven't seen the motion.

Mr. Woodbury: I regret your Honor hasn't seen it.

The Court: When was it filed?

Mr. Woodbury: It was filed June 22nd with this court.

The Court: Let's see what we have here.

Mr. Woodbury: If your Honor would rather have the opportunity, before you hear from me, have the opportunity to look at it, why—

The Court: I think counsel ought to have—

Mr. Woodbury: Surely, certainly.

Mr. Harrison: If your Honor please, I am willing to be heard in opposition to the motion for intervention without seeing it.

The Court: I'll bet you are.

Mr. Harrison: I think this is a rather outrageous attempt to stall these proceedings.

[fol. 104-10] The Court: Nothing is going to be stalled.

Mr. Harrison: Very well, your Honor. Then I simply submit the matter.

The Court: I am going to want to hear from them.

Mr. Woodbury: Thank you.

Mr. Harrison: If your Honor please, I have no objection to the Court's hearing from counsel. I was not objecting to that at all. I was merely addressing myself to the petition for intervention.

The Court: Well, we will take a look at it. I have already passed on that. That is res judicata long ago. Appeals were taken to the Supreme Court of the United States and denied.

Mr. Woodbury: May I address the Court now, your Honor?

The Court: Yes, go ahead.

STATEMENT BY COUNSEL FOR SOUTHERN CALIFORNIA EDISON COMPANY AND COLLOQUY THEREON

Mr. Woodbury: The situation which, in our view, gives rise to the timeliness of this application to intervene arises because of the fact that it was filed within a reasonable time within which we learned for the first time that the objections that theretofore had been constantly urged by the Justice Department concerning factors which vitally affect the competitive situation and the antitrust situation for California, with which we are vitally concerned, as is recognized in the Supreme Court opinion—has given [fol. 104-11] rise, in our view, to a change of circumstances which makes this application timely.

The ultimate issue in this antitrust case, as was stated by the Supreme Court, and I quote, "Revolves around the question of whether the acquisition substantially lessened competition in the sale of natural gas in California, a market of which El Paso was the sole out-of-state supplier at the time of the acquisition."

As indicated in our application to intervene, Edison had, until the filing of the stipulation, every reason to believe that the object sought by the Justice Department had remained constant throughout the proceedings, namely, that it sought to reconstitute Pacific Northwest Pipeline Corporation, or New Company, as a viable pipeline, reestablished in such a way as to enable it to offer competition to El Paso for the California market and elsewhere.

In the proposed form of decree covered by the stipulation filed on or about May 24, 1965, which we received on or about May 28, 1965, the Justice Department abandoned its positions which until that time it had bitterly resisted in these proceedings, and they are positions which we believe to be sound and seriously concerned with the maintenance of the competitive situation for California, which we believe to be a question that was vitally—with which the Supreme Court was vitally concerned in its mandate.

[fol. 104-12] In this connection we have been advised by competent counsel familiar with these proceedings that the proposed decree covered by the stipulation provides for a divestiture in substance exactly the same as the original El Paso proposal to which the Justice Department took such serious exception until the stipulation.

Mr. Harrison: I will have to interrupt—

The Court: In the first place, that isn't so. Counsel, haven't you read that decree?

Mr. Woodbury: I have, your Honor, and I have also read the representation made by Brobeck, Phleger & Harrison, among others, to the Federal Power Commission concerning what the decree says. And they state, your Honor—

Mr. Harrison: Well, now, if your Honor please—

The Court: That isn't in the record.

Mr. Harrison: Let me correct counsel, if I may. He is now going into a controversial proceeding pending before the Federal Power Commission in which Tennessee Natural Gas and El Paso are opposing each other with respect to supplying certain markets in California. That is not in the record. Are we going to reopen the record?

The Court: No, we are not going to reopen the record.

Mr. Woodbury: The concern of Edison—

The Court: I don't think, Counsel, you are entitled at [fol. 104-13] this late stage to come up here and talk about a proceeding before the Federal Power Commission about which I haven't heard.

Mr. Woodbury: I am not seeking to do that, your Honor.

The Court: You are telling me what counsel for El Paso told the Federal Power Commission in another proceeding.

Mr. Woodbury: Told the Federal Power Commission that this decree that we are talking about said.

The Court: Oh, well. But that is before the Federal Power Commission in another proceeding.

Mr. Woodbury: Well, your Honor—

The Court: And in a proceeding apparently you folks are interested in.

Mr. Woodbury: That is certainly true, your Honor, but what I am suggesting—

The Court: What is your connection with Tennessee?

Mr. Woodbury: I have no connection with Tennessee. I am selling California Edison Company.

The Court: What about California Edison Company?

Mr. Woodbury: California Edison Company is a public utility, electric public utility, in California. Tennessee Gas Transmission Company is an agent of ours for gas supply and have put together gas supply which is involved [fol. 104-14] in a proceeding before the Federal Power Commission, no question about that.

The Court: And that proceeding involves the attempt of Tennessee and the attempt of El Paso to have a certification of some kind, is that right?

Mr. Woodbury: That is correct.

The Court: I don't want to get into that.

Mr. Woodbury: I am not asking you to get into that, your Honor.

The Court: All right, then, don't refer to it.

Mr. Woodbury: The reason I made the reference, if I may explain, sir, is that your Honor inquired if I had read the decree, and I have, and I think on these factors with which we are concerned and which deal with the competitive situation for California with which the Supreme Court was concerned, there is no difference. I have been able to find none. The concern of Edison and the other California interests is that the decree in the form covered by the stipulation proposes a division of the country—

The Court: Well, I will tell you a very big difference between the original proposal and this decree is that the original proposal of El Paso was to spin that New Company stock off to El Paso stockholders.

Mr. Woodbury: That, your Honor—

The Court: This proposal is not.

[fol. 104-15] Mr. Woodbury: That, your Honor, does not affect at all the question of whether or not what comes out of this is a company that is viable to compete for the California market, with which we submit the Supreme Court was most vitally concerned. And this is the first time in this case that there is not a party present representing and urging upon this Court the significance of those issues to the California market.

The Justice Department, because of the stipulation, is certainly not now urging in any way those very issues upon which it so seriously stressed before this Court earlier. And our concern is that the proposed form of the decree proposes a division of the country, a division of the market, a division of the reserves, one area to New Company and another area to El Paso. We believe that such division circumvents the ultimate issue involved in this case, as stated by the Supreme Court of the United States, and does not conform to the mandate of that court.

While the stipulation which has been entered into by Justice is certainly binding upon it, it is, of course, not binding upon the Supreme Court.

Faced with the circumstances and the developments of this recent substantial change in the position of the De-

partment of Justice, we submit to your Honor, on the basis of the authorities which we refer to in our application, that [fol. 104-16] this Edison application is timely filed, and we urge that it be granted.

Thank you, your Honor.

Mr. Harrison: May I point out to the Court that this proceeding was initiated in June of last year and that it consumed a considerable amount of time in trial. I didn't hear counsel's voice at any time during that hearing, nor did I hear any evidence from Southern California Edison Company, although we did have a slight echo of Tennessee Natural Gas in the course of this hearing.

But now Tennessee Natural Gas comes out in the open and wants to retry this case. I submit it simply has no standing on the basis of time, interest, right, or merit.

The Court: As far as I know, that motion or application —I don't know which it is—has never been filed here.

Mr. Woodbury: Well, we have, your Honor—at least the copy which I have, and it may be conformed, but I am sure the document has been filed. It is marked, "Filed in the United States District Court, District of Utah, Time: June 22, 1965, Andrew John Brennan, Clerk."

Mr. Gibson: Your Honor, I filed the motion myself on the 22nd.

Mr. Harrison: Will counsel favor us with a copy to complete our records?

[fol. 104-17] Mr. Woodbury: Why, certainly.

The Court: And one you can hand up to me so we won't have to delay this matter.

Mr. Woodbury: I can hand that one up to you.

The Court: I want counsel to have it if that is the only one you have.

Mr. Woodbury: May we submit this to the Court and, when you are through with it, if I can have that back, and I will hand the other one to counsel.

The Court: All right.

Mr. Woodbury: Thank you, your Honor.

Mr. Harrison: I would like to call to the Court's attention Paragraph 5 of this application which we just received and which therefore is not timely, of course.

The Court: Which paragraph?

Mr. Harrison: Paragraph 5 on page 4.

"Applicant Edison, if permitted to intervene, proposes to show by evidence—" "by evidence" "—that under the proposed plan of divestiture covered by the aforesaid stipulation New Company would not be in a position to compete as effectively for the California market as the Pacific Northwest Pipeline Corporation would have been but for El Paso Natural Gas Company's illegal merger with it."

This case was submitted on the evidence, I don't know [fol. 104-18] how long ago, your Honor. This was submitted to the court, the whole thing has been briefed, all of the considerations suggested by Edison have been considered, and now he wants to reopen the case without ever having been a party, without ever having appeared, and without having shown the slightest interest. I don't know what the purpose of the application is. I can guess, though.

The Court: Anything further on this?

This is an application for leave to intervene. It is denied. Give me a formal order, Mr. Harrison, on that, will you?

Mr. Harrison: Yes, your Honor, I will.

The Court: For the files.

Mr. Harrison: I wish to call your Honor's attention to the fact that under and pursuant to the terms of the stipulated decree, if the court should adopt it, we have a rather unusual provision which separates from the El Paso Natural Gas Company control and management over all of the properties of which it is to be divested prior to the divestiture.

The Court: May I interrupt. I left some papers on my desk. Will you bring them in.

Mr. Harrison: Under the procedure which will be ordered by the court, if it approves the stipulated decree

and enters it, at the very outset El Paso Natural Gas [fol. 104-19] Company is required to create a new corporation, the new corporation referred to in the decree, and to place in control of that corporation parties who are totally independent of El Paso, with a chief executive officer to be approved by the court, with full control independent of El Paso, with the further requirement that upon the exchange of the properties for stock, prior to the divestiture of the stock, there will be a voting trust agreement vesting in this independent party, the chief executive officer, the full voting control over the new corporation.

OFFERS IN EVIDENCE

We will wish to present to the court, and we will now present to the court for the record, a certified copy of the certificate of incorporation of Northwest Pipeline Corporation, which has already been created. A copy of the proposed Articles of Incorporation has been in the hands of the court for some time past, and no material changes have been made. We offer that in evidence at this time.

The Court: It is received.

Mr. Harrison: We next offer in evidence the by-laws—

The Court: Has it been marked as an exhibit? Let's give it a number.

The Clerk: Exhibit S, your Honor, like in "sale."

The Court: Very well.

(Defendants' Exhibit S marked for identification and received in evidence.)

[fol. 104-20] Mr. Harrison: We next offer in evidence the by-laws of the Northwest Pipeline Corporation to be certified and ask that it be marked exhibit next in order.

The Clerk: Exhibit T, your Honor.

(Defendants' Exhibit T was thereupon marked for identification.)

Mr. Harrison: This last exhibit—

The Court: Received in evidence.

(The document marked Defendants' Exhibit T for identification was received in evidence.)

Mr. Harrison: (Continuing) —reflects, as your Honor knows, a provision whereby the initial board of directors will hold office for four years from their selection and appointment. The purpose of that provision is to separate the management of the New Company completely from El Paso, because it will be impossible to replace them except by their own choice with any director or directors in that period of time.

Thereafter the voting trust agreement takes hold. We will ask in due course for an order approving the Articles of Incorporation and Bylaws of the new corporation.

The Court: Yes. Granted. Let's have a formal order for the files.

Mr. Harrison: Next the question arises, your Honor, of the selection of the independent management in pursuance [fol. 104-21] of the decree, if the court shall enter it.

Section 4(a) of the decree, when entered and if entered, provides for the approval by this court of a chief executive officer to act as a satisfactory and qualified person to be and occupy the position of chief executive officer of Northwest Pipeline Corporation and as voting trustee under the decree after the transfer of the assets and the issuance of the stock.

Such a person has been under consideration by the court ever since before the closing of the evidence in this case, but, as the court then directed, the name was not revealed to the public because of possible embarrassment that might result.

We are prepared to present to the court today the name of Glenn W. Clark as such a person to act as chief executive officer of Northwest Pipeline Corporation, and Mr. Clark is in court, and he is prepared to submit to whatever

examination this court directs concerning his independence and his qualifications.

The Court: Have him come forward. Will you be sworn, Mr. Clark.

[fol. 104-22] GLENN W. CLARK being first duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Harrison:

Q. Will you please give your name and address, Mr. Clark.

A. Glenn W. Clark. My present address is 951 North Pembroke Road, Fayetteville, Arkansas.

Q. You have been advised by El Paso Natural Gas Company and by the United States that your name has been suggested to this court to act as chief executive officer of Northwest Pipeline Corporation?

A. I have.

Q. Will you state to the court generally your qualifications and experience.

A. Well, I graduated in the University of Missouri Law School in 1928, engaged in the general practice of law for only two years before becoming an attorney in the legal division of the Empire Companies of Bartlesville, Oklahoma. At that time the Empire Companies encompassed what are known today as City Service Oil Company and City Service Gas Company.

I practiced law with that company until 1938, at which time I became general attorney for Panhandle Eastern Pipeline Company, officed at Kansas City, Missouri.

In 1944 I became vice president, general counsel, and [fol. 104-23] director of City Service Gas Company, officed at Oklahoma City, Oklahoma, and remained in that position until 1952, when I became president of that company. And the year after that I became president of City Service Gas

Producing Company and a director of the holding company, City Service Company.

In 1956, the latter part of '56, I became president and director of Mississippi River Corporation, formerly Mississippi River Fuel Corporation, and I resigned that position on December 31, 1964 with the intention of remaining as a consultant for the balance of this year, or until December, and then entering business of my own in Fayetteville, Arkansas, instead of St. Louis, Missouri.

I think that covers it.

The Court: You had employment with the Independent Natural Gas Association.

The Witness: Oh, yes. I was president of Independent Natural Gas Association of America from 1958 to 1960, I believe it was.

By Mr. Harrison:

Q. Have you, in the course of that experience, become acquainted with the duties and responsibilities of executive officers in the natural gas pipeline industry?

A. I have.

Q. And you have exercised all of the duties and responsi- [fol. 104-24] bilities—assumed all the responsibilities of such an office?

A. Yes, sir.

Q. You feel that you are qualified to become the chief executive officer of Northwest Pipeline Corporation?

A. I think so, yes.

Q. Have you ever been employed by El Paso Natural Gas Company?

A. I have not.

Q. Have you ever had any connection with them of any kind?

A. No connection whatsoever. Oh, I think back in the early fifties I possibly negotiated a contract, a production contract, with a subsidiary of El Paso, and that is the only contact I have ever had with them.

Q. Do you know of any reason why you would not be in a position to conduct the duties of your office, perform the duties of your office, and assume the responsibilities of your office without any possible influence from El Paso Natural Gas Company or its officers?

A. There is no reason whatsoever.

The Court: It is important, Mr. Clark, because the United States Supreme Court has ordered that there be maintained between the executive officers of the Northwest Pipeline Company, the New Company, and the El Paso Natural Gas Company most complete independence.

The Witness: Yes.

[fol. 104-25] The Court: And I want to ask you if there is—I put you on your conscience on this matter. It isn't possible for me—I don't know you well enough—I met you some months ago for the first time in connection with this proceeding, but it wouldn't be possible for me to probe into your experience to determine whether or not there was any basis for doubting your independence or, on the contrary, a basis for determining that you would be completely independent, so I am going to put you on your conscience and ask you the question: Is there anything in your experience in relationship with El Paso or any of the people in the management of El Paso, or any of its subsidiaries, or any other matter of fact, in any way, shape, manner or form, that you think would in any way prevent you from being completely independent of the management or direction, or otherwise, of the corporation of El Paso Natural Gas Company or any of its officers or directors or management or anyone else.

The Witness: Your Honor, I have a pretty good conscience, and I can answer that there is no reason whatsoever. I am acquainted, I suppose, through my connection with Independent Natural Gas Association, with practically every executive in the natural gas business and, of course, I like all the people I know in the industry. I probably have had less occasion to visit with and meet with the El Paso people than most of the companies in the organization.

[fol. 104-26] There is no reason whatsoever, and my conscience would be perfectly clear.

By Mr. Harrison:

Q. Now, have you been requested by the parties to this suit and after conference—

The Court: You are, of course, not a stockholder in El Paso?

The Witness: I am not.

The Court: Pardon me, Mr. Harrison. May I interrupt.

Mr. Harrison: Surely, your Honor.

The Court: Can you tell us how it came about that you were consulted and contacted and are now recommended to the court?

The Witness: Yes, I think I can. I attended the meeting of Independent Natural Gas Association in New York City in September of last year, and I think that was the first time that I had seen Mr. Kayser, who was the chief executive officer of El Paso, in possibly seven or eight years. And during the course of that convention I told him that I had planned on early retirement and planned on moving from St. Louis to Fayetteville, Arkansas. And soon thereafter he called me and told me of this proceeding, which I had not followed, and wanted me to talk with him and Mr. Howard Boyd, who, at that time, was president, concerning the chief executive office of this New Company.

At that time I felt that after 35 years in the business I had had enough of it, and I said I was not interested. But [fol. 104-27] they indicated that there was no reason why we shouldn't talk about it, so I did meet with them, and they told me about the properties and the operations of Northwest Division of El Paso and of the proceedings before this court which, as I say, I had not followed at all. I knew very little about it. And the more I thought about it, the more I felt that it would present a terrific challenge to me, and I began to wonder if I were not a little too young to at least partially retire, and the more I became interested

in taking on the responsibility. And it just went on from there, and then I came out and met you. And in the meantime I had discussed the matter with the Department of Justice. And that is the way it came about.

By Mr. Harrison:

Q. Now, you were also requested prior to this hearing, were you not, Mr. Clark, to present recommendations concerning other executive officers?

A. Yes.

Q. Of the Northwest Pipeline Company, and directors. And I will ask you what, if anything, you have done about that.

A. Well, at the time I met with Mr. Boyd and Mr. Kayser I told them that I had worked very hard in this business with three different natural gas pipeline corporations and that I felt if I were to take on this responsibility I would want a president who was younger than I to do a part of the work. And, oh, immediately thereafter—this has been [fol. 104-28] several months ago—I searched my mind as to people who might be qualified for the position of president. And, although I had never worked with Mr. Charles Klein, he had worked after I had left City Service, with that company, and we had many mutual friends, and I knew him by reputation. So I made numerous telephone calls to friends of mine in that organization to see if I could determine that his reputation was justified, and I found that it was.

Then I contacted him to see if he would consider coming with me, if this matter materialized, as president of the company. And he, too, recognized a challenge in the matter and agreed to come with me.

Q. What, in general, has been his experience in the industry?

A. Well, of course, I will not refer at this point, unless you desire, to his early career, including the Air Force, but at the time I first knew of him and knew of his reputation,

he had become an attorney in the City Service Oil Company legal division, and, after spending several years in that position, he was promoted to manager of the gas production department of City Service Oil Company, which position he held, I believe, from 1949 until 1960, at which time he was brought into the City Service Gas organization, City Service Gas Company, of which I formerly was president.

As vice president and director of that company, and through my former associates with that company, I found [fol. 104-29] that he was fully qualified in all phases of the Natural Gas Pipeline Company business. And that, in brief, is his experience.

Q. Now, what about Mr. Tracht? Mr. L. V. Tracht is a man whom you have suggested as financial vice president of the Northwest Pipeline Company.

A. Yes. Mr. Tracht like myself is an older man, and he had spent 28 years with United Gas Corporation and its subsidiaries in various capacities, but formerly he was vice president and treasurer of United Gas Corporation and, I believe, treasurer and director of its subsidiaries, United Gas Pipeline Company and Union Producing Company.

As president of Mississippi River Fuel Corporation, now Mississippi River Company, or Corporation, I had need of a financial officer and induced Mr. Tracht to come with our company as financial officer. He later became secretary and treasurer and also has served as director, secretary-treasurer, of Mississippi River Transmission Corporation, which is a pipeline subsidiary of Mississippi River Corporation.

Mr. Tracht has had tremendous experience in all of the regulatory, rate, accounting, auditing phases of the natural gas pipeline business and, I would say, is thoroughly familiar with all phases of the business. And he has proved, since he worked for me in the Mississippi River [fol. 104-30] Corporation, he has proved to me that he is a man well qualified to assume the position of vice president and director and financial officer of this company, the New Company.

Q. Now, with respect to either Mr. Klein or Mr. Tracht, were their names ever suggested to you for the positions which you recommend by either party to the suit?

A. They were not.

Q. You have relied entirely upon your own knowledge, background, and experience in making these recommendations?

A. Oh, yes. So far as I know, none of the parties to this suit knew either one of the individuals.

Q. Now, you were also advised, were you not, Mr. Clark, that in setting up the original setup of the Northwest Pipeline Corporation it would be necessary to select independent directors so that the company could proceed with El Paso to conform to and comply with the decree?

A. That is right.

Q. You were asked to make additional suggestions to fill out a board of directors, is that right?

A. That is right.

Q. Are you prepared to make those recommendations now?

A. Yes, I am.

Q. And before you make them, will you state whether any of these recommendations emanated from either party to the suit?

A. They did not, and, so far as I know, they are not even [fol. 104-31] known to any of the parties of this suit.

Q. Will you enumerate those that you are prepared to recommend as directors. I assume you propose that the three principal officers shall be directors, if the record is not clear on that, Mr. Clark?

A. Yes, I assume that the three officers whom we have been discussing will be directors. The independent directors—I would like to give these alphabetically, if I may.

Mr. Richard C. Coburn (spelling) C-o-b-u-r-n, is head of the law firm of Coburn, Croft & Kohn (spelling) K-o-h-n in St. Louis, Missouri. Mr. Coburn is an outstanding lawyer in Missouri and was prominently on the list of men

considered for the presidency of the American Bar Association this past election. He and his firm represent many large businesses. I have been well acquainted with him for, I would say, at least 25 years, and he is a man of tremendous ability. He is one.

Mr. H. Reid (spelling) R-e-i-d Derrick (spelling) D-e-r-r-i-c-k, is president of Laclede Gas Company, which is the large gas distribution company serving St. Louis and environs, including St. Charles, Missouri. He came to St. Louis at approximately the same time I joined the Mississippi River Corporation and I have known him well since that time. We have had a number of adversary proceedings in the Federal Power Commission, some in the courts, that [fol. 104-32] is, I say the two companies have, Mississippi Pipeline Company and Laclede Distribution Company, but I have found him to be a man of great ability and a fair person, and we always have been able to resolve our differences. He is a man who avidly believes in serving to the fullest extent that is economically possible the markets of a gas distribution company. I felt he would be a great addition to the board of directors. Prior to coming to St. Louis he was president of Alabama Gas Company at Burmingham, Alabama. So he is another man the management would recommend.

Mr. James Hickock is chairman of the board of the First National Bank in St. Louis, and, prior to that time, when I first became acquainted with him, he was president of that corporation. He is a man who is largely responsible for the large gateway arch and stadium and Jefferson memorial that you probably have read about in the papers, and the rejuvenation of the St. Louis downtown area; a great civic worker, a fine gentleman, and a fine businessman. And, while the banking connections of the New Company probably would not incude that company, because that is not the area we intend to serve, of course, but we have picked him for his ability and character and because we think he would add to the board.

The fourth gentleman is Mr. Harold E. Thayer (spelling) T-h-a-y-e-r, who is president of Mallinckrodt (spelling) [fol. 104-33] M-a-l-l-i-n-c-k-r-o-d-t, Mallinckrodt Chemical Works, which is a large chemical manufacturing complex in St. Louis. He has a doctor's degree and yet is a practical enough man to run a company. He is a relatively young man, tremendous energy, and we thought in the initial stages of the New Company he, as well as the other three men I have mentioned, would be of great help even though they are not in the area which we intend to serve.

Q. Now, what would be, if appointed and approved and elected, what would be your policy with respect to members of the board of directors and the directorships of the future?

A. Well, my policy—and I have discussed this with my associates—and I would say our policy would be to add to or replace these particular men certainly before the company becomes an operational company. We believe we should have men from the service area of the corporation we are to head. There is really no point in having men from the St. Louis area except for the fact that we know these men and we know they are men of unquestionable character and ability. I would not want to pick names from the West and Pacific Northwest out of the telephone book. We expect to become acquainted with the businessmen in the area served by this company, the New Company, and, as soon as we know men would be available to us and men we could absolutely vouch for, we will certainly want men in [fol. 104-34] this area, and the majority of them, at least until the stock is distributed, at which time we still will want men from our service area. But we probably will have to have some representation from large stock ownership, which may be in any part of the country.

Q. Well, now, having that policy—in the first place, have you asked these men whether they will accept the position if they are appointed and approved?

A. Each and every one of them, as well as several other men who would have been perfectly satisfactory, I have asked for telegrams or letters to be sent to me here, which I have received since I arrived in Salt Lake City, in which

each—I will say each of these men I have named have agreed that—or have stated, rather, that they own no stock in El Paso Natural Gas Company, have no interest whatsoever in El Paso, and that each would resign upon my request, and each knows that there is an excellent chance that he will be replaced by a man from the service area of the new Northwest Pipeline Corporation.

Q. Now, you are aware that under the terms of this decree, if entered, El Paso will be divested of all control over the New Company?

A. Yes.

Q. Pacific Northwest Company?

A. Yes.

Q. And that even after transfer of its properties to [fol. 104-35] Pacific Northwest Pipeline Company and the issuance of stock that all of the shares of stock will be in the hands of a trustee?

A. Yes.

Q. And that El Paso will have no voice in the management?

A. I am aware of that.

Q. It is a fact, is it not, that we have discussed with you certain minimal necessities of El Paso as the owner of the properties, even though they lack any management control?

A. Yes.

Q. And among others is the proposal to you, to the New Company, if you are appointed, that Pacific Northwest Pipeline Corporation will distribute not less than 75 per cent of its net earnings by way of dividends to the parent company?

A. Yes.

Q. And that policy has been acceptable to you?

A. That is right.

Q. In addition to that you have been advised, have you not, that it has been the consistent practice in the past and is at present for El Paso Natural Gas Company to file consolidated income tax returns with all of its subsidiaries from year to year?

A. Yes, I am aware of that.

Q. And it is essential to the tax position of El Paso, even though it will have no management control, that that practice continue, and you have no objection to that being done?

[fol. 104-36] A. None whatsoever. That has no adverse effect upon the New Company that I can see whatsoever.

Q. Also it has been pointed out to you that when the time for the issuance of shares of stock for property arises it will be necessary for El Paso to be able to determine the number of shares, the terms and conditions of the share certificates to be issued by Pacific Northwest Pipeline Company?

A. I am aware of that.

Q. Leave the "Pacific" off. I have a little trouble with "Pacific" and "Northwest Pipeline."

Mr. Harrison: In any case I say that, I mean "Northwest Pipeline Corporation," your Honor.

By Mr. Harrison:

Q. And there is no objection on the part of your management to that?

A. None whatsoever.

The Court: I don't understand what you mean by that, Mr. Harrison.

Mr. Harrison: The last one, your Honor?

The Court: Yes, that El Paso shall have something to say about the terms and conditions of the issuance.

Mr. Harrison: The term is, we propose, if possible, to divest by exchange the number of shares, and the character of the share certificates issued will depend on how that plan is worked out. In other words, we will have to adjust the [fol. 104-37] number of shares and the character of shares to the kind of an exchange proposal that we can make to the shareholders that will be workable, but it doesn't involve values or assets or anything but the manner in which the representation of ownership by stock will be represented.

I don't think I have any further questions at this time.

The Court: Anyone have any further questions of this witness?

The Witness: May I ask a question, your Honor?

The Court: Surely.

The Witness: At the time, which I think was a month or six weeks ago, that we were here there was something said about my submitting to the jurisdiction of this court, which, of course, I am perfectly willing to do, but I have heard nothing. Maybe I didn't hear it properly when I was in the back of the room.

Mr. Harrison: Well, it is required in the decree that the company, that Northwest Pipeline Corporation, and its chief executive officer, as trustee, shall submit to the jurisdiction of this court, and I suppose it perhaps is well that the witness say that that will be done, although I think it is subject to the jurisdiction of this court whether a submission is made or not.

The Court: Yes.

[fol. 104-38] The Witness: I assume so, but I wanted you to know I am willing to submit to your jurisdiction.

The Court: Thank you. Where are you going to have headquarters?

The Witness: I suspect there will be only the three of us in charge of this corporation, which will be a paper corporation until—

The Court: For a while.

The Witness: (Continuing)—this divestiture is complete.

Mr. Harrison: You mean until the transfer of assets is complete?

The Witness: Or the transfer of assets, I beg your pardon. Our present thought is to headquarter here in Salt Lake City.

The Court: I am sure there will be a lot of people glad you are going to do that.

The Witness: I hope so.

Mr. Harrison: In due course, your Honor, if the decree is entered, we will propose an order to the court approving the nominations.

The Court: Very well.

Mr. Woodbury: May I inquire, your Honor. You asked if anyone had any questions. Do you mean a party or anyone?

[fol. 104-39] The Court: Come forward, surely.

Mr. Woodbury: Is it appropriate, your Honor?

The Court: Yes, proceed. Yes.

Mr. Woodbury: Thank you.

Cross examination.

By Mr. Woodbury:

Q. You referred, sir, in your direct testimony several times in connection with the directors you propose to get in the area which you intend to serve. Could you indicate for the record what those areas are.

A. Well, as I understand it—and you must realize I am not too familiar with this particular division of El Paso Natural Gas Company. I know generally the area it serves, but it is my understanding that the pipeline commences in the San Juan Basin in New Mexico. I believe it traverses Utah, part of Colorado, Wyoming, Idaho, Oregon, Washington, and Nevada. I may have left out one. I haven't had enough information so far, although I suppose I could have dug it out, to know how many customers are in each state. I understand, however, that the largest service area is in Oregon and Washington, but there are customers in some or all of these states. So I would say that we would pick men from this general area of the seven states. We wouldn't want a board of too many people, I presume, but I would think we would want representation especially [fol. 104-40] where the biggest business of the company might be.

Now, it is also entirely conceivable, and I would think it would be advantageous at some later date, after we have had an opportunity to operate this company and learn just what its requirements might be in its present service area, to have a person from your area. I believe you say you are from California.

Q. Yes.

A. At least I know enough about this proceeding to know that California is interested, and I think it would be well in time to have someone from that area, as we have the opportunity to study the area and the market requirements and whether or not this company could adequately compete in that area. Then I think we possibly may have a director in California or any other area where we might feel it would be advantageous to this company to expand.

Q. In your testimony, when you made reference to the directors you thought would be replaced short range, you had in mind the other states you mentioned other than California?

A. I did, for this reason, that I feel, and I believe my associates agree with that, that we will have our hands absolutely full for the first year or so after the company begins operating in making sure that we reserve adequately the present service area. That is our first duty, we feel.

Mr. Woodbury: I think that is all, your Honor.

[fol. 104-41] The Court: Anyone else care to interrogate this witness?

Mr. Sabin: May I ask just one question?

The Court: Yes, Mr. Sabin. Come forward, will you.

Cross examination (Contd.).

By Mr. Sabin:

Q. Mr. Clark, I wonder if you have had an opportunity to make an analysis of the needs of the present market area of the New Company?

The Court: Mr. Clark, this is Mr. Sabin, who is from Oregon.

And are you with the Public Service Commission or the Attorney General's Office?

Mr. Sabin: I am an assistant attorney general assigned to the Public Utilities Commission.

The Witness: I am sorry, I didn't hear your question.

By Mr. Sabin:

Q. I am wondering whether or not you have had an opportunity to analyze the needs of the market area of the proposed New Company?

A. I have not.

Mr. Sabin: That is all I wanted to know. Thank you.

Mr. Williams: Your Honor, I have just one or two ques-
[fol. 104-42] tions of Mr. Clark.

The Court: Yes, proceed.

Cross examination (Contd.).

By Mr. Williams:

Q. Mr. Clark, is it not correct you have had a number of discussions with representatives of the Department of Justice in connection with your duties should the court appoint you as chief executive officer and trustee for the New Company?

A. Yes, I believe at least two and possibly three.

Q. You have assured us that you would operate the company in as completely independent a manner of El Paso's possible influence in any way?

A. That is correct.

Q. Is it also correct that you have assured us that as soon as you have had an opportunity to evaluate the potential of the company it would be your expectation to compete in expanded markets for the sale of natural gas, including the State of California?

A. Any market, yes.

Mr. Williams: That is all, your Honor.

Examination.

By the Court:

Q. Now, as I understand your testimony, Mr. Clark, you have in hand the resignations of these four—you called them "independent directors"—to the end that, as soon as

[fol. 104-43] your studies are complete, as soon as you can inform yourself about your markets and the customers of the business, the areas to be served, you want to have a board of directors from those areas. Am I right in assuming that you do have their resignations?

A. No, your Honor, you misunderstood me. I have from three of the four I named either a letter or a telegram stating that they will resign at any time upon my request, and the fourth man I phoned last night, because I didn't get his letter, and he assured me that he would resign at any time upon my request. That does not necessarily mean, however, that all four of these men will be asked to resign, because, as time goes on, this board may be enlarged, and, so long as we have adequate representation in this area, we may feel that one or two of these directors add so much to the board of directors that we would want to keep them, and it is not at all unusual, as you well know, to have men from different parts of the country. But we didn't want to concentrate in the Midwest when we are serving the West and Northwest.

The Court: Very well, thank you.

Anything further anyone wants to ask about at all? I want you to feel perfectly free to interrogate these witnesses, and as far as you desire.

All right, thank you, Mr. Clark. I shall be seeing you soon.

[fol. 104-44] The Witness: I am sure you will.

The Court: Outside the courtroom.

The Witness: Yes, by all means.

(Witness excused.)

Mr. Harrison: Based upon the stipulation and upon the evidence which we have presented regarding management, we will move the court that the stipulated decree be entered and that the court make an order approving the Northwest Pipeline Corporation articles and certificate of incorporation and bylaws, approving the appointment of chief executive officer Mr. Clark and the other nominees he has mentioned in the course of his testimony, and ap-

proving the policy decisions which have been made respecting distribution of earnings, consolidated tax returns, and the details of stock issue for the future.

If the court shall make those orders, immediately upon the making of the orders today, or, if not today, whenever the orders are made, the nominees of Mr. Clark will be immediately made directors of the new corporation, sole directors and sole officers, and it is expected that an application for necessary certificates before the Federal Power Commission will be filed within 30 days thereafter.

The Court: Now, at this juncture I want again to invite anyone in this courtroom, or elsewhere if he turns up in time, to address himself to any subject he desires and to [fol. 104-45] speak at whatever length.

You may proceed.

Mr. Sabin: May it please the Court—

The Court: Yes, Mr. Sabin, come forward.

Argument by Counsel for State of Oregon and Colloquy Thereon

Mr. Sabin: Your Honor, I appreciate this opportunity to comment further on the decree. I will do my best to keep this very brief. We have, as you are undoubtedly aware, filed a memorandum. We have also in the past filed memoranda in support of intervention. I think our views appear from those two documents. This speech then does not necessarily have to be very long. I would like to point out that one of our greatest concerns at this stage is delay.

The Supreme Court's admonition is, to us, a practical one. The legality of it isn't our first consideration. It is the practical requisite.

We have just heard from Mr. Clark, who, I must say, seems a very honest and forthright person. He commented that he has no knowledge of the needs, essentially, of this service area.

Your Honor, we do, or at least we believe we do, and we think that at this point the needs are dire, so to speak; something has to be done promptly. We think there has to be further gas acquisition from Canada or, in the alter-

native, there has to be reinforcement of the pipeline as it [fol. 104-46] goes through Idaho.

There are other alternatives, but those seem to be the two most practical alternatives.

And this has to be done immediately. Negotiations take time. Construction takes time.

As you have noted in our latest memorandum, we pointed out that we are convinced that the company this court will divest will be unable to meet its peak demands in the '66-'67 heating season.

The delay, then, that we foresee is one which we think this court can avoid. We think that the proposed consent decree would foster delay. We have just heard this morning from the Southern California Edison Company, and we think we know what they are up to just on an immediate look at their statement in intervention. You see, they aren't going to be pinched by the delay the way the Northwest states are.

The Court: Will you repeat that.

Mr. Sabin: Southern California Edison won't be put in a squeeze by any delay in these proceedings the way we are.

We happen to agree with them completely on the inadequacy of the divested assets, but we have read the cases they have cited, and they are the same cases we have cited in our memorandum in support of intervention. And we [fol. 104-47] think they are quite right: They do at this point have an unquestioned right to intervene. And we foresee an appeal. And this will come about in due course because of the hidden issue in this case, the thing that everybody seems to be afraid to talk about; and that is the Gulf Pacific case, so-called Tennessee, and that is a big case, and it involves California, and, indirectly, it is going to rub off on us.

The Court: By "that case," you mean that is pending before the Federal Power Commission?

Mr. Sabin: Yes, your Honor.

The Court: We heard something about Tennessee in our trial of this case.

Mr. Sabin: Something.

The Court: You fellows produced an engineer.

Mr. Sabin: Yes, we did, a reputable engineer.

The Court: A so-called expert witness. You put him on the stand.

Mr. Sabin: Your Honor, we would have liked to have put him on the stand.

The Court: Yes. Oregon did this. I wondered why Oregon was doing this. It turns out that the fellow is an employee, an engineer; he made his engineering studies for the Tennessee— What is the name of that company?

Mr. Sabin: I beg to differ, your Honor. You have been badly misinformed.

[fol. 104-48] The Court: Well, what happened in this courtroom is all I know about. Nobody has been informing me of anything outside the courtroom, if you meant to imply it.

Mr. Sabin: I imply it from what you just said, your Honor, that somehow misinformation has crept into this.

The Court: Wasn't that fellow formerly an engineer for Tennessee?

Mr. Sabin: No, he was not. He worked for the Lewis Engineering Company at Dallas, Texas, and he was never employed by the El Paso Natural Gas Company or the Tennessee Natural Gas Company.

The Court: No, he was not employed by El Paso.

Mr. Sabin: Excuse me.

The Court: No, he wasn't employed by El Paso.

Mr. Sabin: Your Honor, strike that. I regret I misinformed the court. I believe he at one time did engage in some work for El Paso.

The Court: Well, now, let's straighten up one thing. He took the stand here and testified, and it turned out he was a liar.

Mr. Sabin: Your Honor, I think that is a most unfortunate statement.

The Court: I didn't make it. It was made in the proceedings. I am quoting from the transcript.

Mr. Sabin: In that case, your Honor, it is not an un-
[fol. 104-49] fortunate statement; it is quite correct. And I would hate to think that the court would hold that Mr. Riggs was a perjurer, based on the rantings and ravings of El Paso counsel in chambers.

The Court: Well, now, I am not going to let you refer to counsel for El Paso in that fashion, because I don't want to start an argument.

Mr. Sabin: I apologize.

The Court: All right, now, you go ahead.

Mr. Sabin: As I was saying—

The Court: The trouble, you see, that a judge has in a proceeding like this is that there is just a lot about the industry and its ramifications and the family quarrels in the industry, the keen competition, red hot competition, hearings going on before the Federal Power Commission, that I don't know anything about. You see, this leaves a man wondering what kind of thing is going on. This outfit, the Tennessee—that name keeps coming up. I keep asking about it. There does, indeed, seem to be a little disinclination to say very much about it. And when I find you folks are involved to the extent that you offer a witness, as you did, a so-called engineer, and then when Southern California Edison shows up this morning in this reference to their connections with this Tennessee outfit—what is their full name, Tennessee what?

[fol. 104-50] Mr. Sabin: Tennessee Gas Transmission Company, your Honor.

The Court: I wonder what is going on.

Mr. Sabin: If you would like me—

The Court: Let me, while I am on that subject, just add one more sentence or two. What occasions my concern is that you suggest in your memorandum, Mr. Sabin, that the way the court should divest these assets is by a sale, and Southern California Edison suggests in its memorandum the way to divest is by a sale, and there are folks in the courtroom this morning whom I know represent pros-

pective purchasers, if that should come about. And there is an alternative in this decree of divestiture for the sale of assets.

Now, the thing that troubles me about that is: With the ramifications of the natural gas industry and the folks engaged in business in it that I don't know anything about, a fellow would be buying a pig in a poke, it seems to me, to offer the assets for sale. Who shows up to buy them? Some Wall Street underwriter or group of underwriters show up. Whom do they represent and who is buying? Is it Tennessee? It won't be El Paso. We will have them under injunction.

There is just a whole lot about this business that no court, not only this court, but no court, is going to know anything about, and your proposal, your alternative, to [fol. 104-51] avoid this delay, is to sell these assets.

Well, now, I assure you that is going to take a little while, because the Court will want to be pretty fully informed about it, and it looks to me like that would be a maze that we would be getting into if we sold those assets to some group of underwriters, some group of people who control them. I just want to make plain that much about the Court's feelings in respect to your alternative proposal.

There is one further thing I want to say, and this is not for your benefit only, but for the benefit of everyone who has an interest.

If you don't like this proposed decree, you suggest a better one. I would like someone to suggest a better one.

Mr. Sabin's suggestion is: "Judge, haul off and sell this, and do it without delay, quick like," so it can get some of the gas it wants.

It is not that simple, and I doubt if it could ever be that simple. I think maybe we would be jumping out of the frying pan into the fire before we got through with that sort of a venture, and that is why I have said, and I have said it repeatedly during the trial of this case, I don't think a sale of the assets is the way to do it.

Well, go ahead.

Mr. Sabin: Well, your Honor, as you have mentioned anybody who wants to submit a better way should do it. [fol. 104-52] We did submit a form of decree which we think is a better way.

The Court: Yes, by the sale of the assets.

Mr. Sabin: That is something I would like to point out to you, your Honor. I don't recall whether the Pacific Western people put on their entire plan when Mr. Conkling, I believe it was, was on the witness stand, but I am quite sure the record shows enough of the plan so that you will note, undoubtedly, that the only change from the El Paso Exhibit A, Divestiture Plan, was simply an adaptation of Pacific Western's plan. It was identical.

Pacific Western, or any other corporation, could do this exact same thing that now we hear Northwest Production is doing. As a matter of fact, I rather suspect that is where the plan came from, since it follows in detail the Pacific Western divestiture plan.

I believe there are other plans, too, for stock exchange. Whether any of them were made on the record, I don't recall. I just happen to recall Pacific Western's, but practically a verbatim matter, just copied right in.

And I think if you followed the decree we have submitted, you would find that this exact form of divestiture could be accomplished, just as Pacific Western or Colorado Interstate or Paradox Production proposed. The distinction would be that you would be guaranteed independent management, and pronto. There would be no delay.

[fol. 104-53] The Court: There would be as much delay as there would be in this. I don't regard this as undue delay. This isn't a two-bit enterprise, you know.

Mr. Sabin: We are quite well aware of that.

The Court: This is of some very considerable importance.

Mr. Sabin: It certainly is to the State of Oregon.

The Court: It is to a lot of people. The consumers first. I think we ought to think about the consumers.

Mr. Sabin: That is why I am here, your Honor.

The Court: Our primary concern is for the consumer, and I think we ought to have concern for the investors, and we ought to have concern for the money lenders, the money lenders who finance these operations.

When you talk about that your concern is delay primarily, gracious, I don't see how you can avoid delay in working out a problem of the magnitude of this one. Anybody who tries to rush right into it and get something done day after tomorrow is going, it seems to me, to get into trouble.

Mr. Sabin: Perhaps so. I would like to point out to the Court that we are now dealing with the same plan El Paso had devised back in July a year ago.

The Court: Not El Paso, the Government.

Mr. Sabin: No. El Paso.

[fol. 104-54] The Court: It isn't the same plan as El Paso proposed. El Paso proposed a spinoff of that stock to El Paso stockholders.

Mr. Sabin: In terms of assets I will grant you there is a minor change in the mechanics of the stock.

The Court: In terms of the authorities, the great decisions of the Supreme Court of the United States, in the last eight or ten years, or fewer years than that, there is a vast change between this divestiture and what El Paso proposed.

Mr. Sabin: I agree as to the legal fact.

The Court: There is a still more vast change, perhaps not still more, but as vast a change, in any other plan that has been proposed.

Well, I think I understand, Mr. Sabin, your proposal. I understand your concern and I understand that your proposal conforms pretty closely to Mr. Conkling's proposal, this fellow from Portland, up in your vicinity.

Mr. Sabin: Mr. Conkling's or the Northwest—the one El Paso and the Government have now concurred in with respect to stock.

The Court: And is primarily a sale of the assets to somebody. I just ask one more question. Who? To whom?

Mr. Sabin: The Government has sponsored three groups, one of which we are not familiar with. The other two we [fol. 104-55] are: Colorado Interstate, Pacific Western. And they have submitted the names—

The Court: What is wrong with the management we are looking at here today? Did you see anything wrong with that?

Mr. Sabin: Do you speak personally or in principle?

The Court: I don't talk personally in here at all. If I did I would use some different kind of language.

Mr. Sabin: As a matter of principle, we think it is fundamentally bad because it is captive.

The Court: Now, I don't understand that. How can you say it is captive on the evidence we have heard?

Mr. Sabin: To begin with, somebody has got to file a proceeding with the Federal Power Commission asking for a certificate.

The Court: Why, certainly.

Mr. Sabin: Who is going to do it? Necessarily the new company, whoever that is. We know already that the new company is unfamiliar with the needs of its consumers. Necessarily it follows it is unaware of the nature and extent of its assets, the effect of the intercorporate dealings of it and El Paso, which will be dealt with by the court. In short, it is going to have to have a staff to be effective. To have a staff it has to have money.

The Court: So would the purchaser.

[fol. 104-56] Mr. Sabin: But the purchaser would have money, because that is essential to a staff. You can't hire anybody when you don't have any assets. This company won't have anything. Possibly some bank would go out on a limb and lend them some money.

The Court: The evidence in this case is, Mr. Sabin—the evidence in this case is that gas transmission company financing is a little different from other folks.

Mr. Sabin: But this isn't a company yet, has no assets.

The Court: Well, it is going to be pretty soon, as soon as you fellows get through talking about it. The thing that disturbs me about your position is that any company now is going to be confronted with the same problems that this company is going to be confronted with. And, as far as financing is concerned, the evidence is clear in this record that this company is a whole lot better financed than was the Pacific Northwest Gas Pipeline Company in reference to debt capital, as compared with investment capital, just a whole lot better financed.

And there is all kinds of evidence in this record—I learned something about how to finance a gas pipeline. If you go down and capture a market at the other end of your pipeline and capture some gas reserves, that is all you need. Wall Street will lend you sums of money in [fol. 104-57] terms of millions of dollars.

Mr. Sabin: I think you left out one element, your Honor, and that is monopoly, of course.

The Court: Yes, a little regulation. There are a lot of elements. Go ahead.

Mr. Sabin: Very good. Essentially, then, as I say in the memorandum, we don't believe this will be an independent company for some time to come. It doesn't have the financial capacity. It will therefore have to rely primarily upon El Paso to get the certificate.

The Court: I don't believe that. If I believed that, I would listen to you; I would grant your position. I don't believe that is so.

Mr. Sabin: If I can get you to believe that, your Honor, maybe I will expend a couple more minutes on that subject. It works this way under the proposed decree, as I understand it.

The new company is formed, which has already taken place, the Northwest Pipeline, I guess they call it. That company will then have some directors and a president, and apparently a chief executive officer and a financial

officer. It will have no assets until after the application and certification to and by the Federal Power Commission.

When the Federal Power Commission grants a certificate, then the assets are transferred. Then the stock trans- [fol. 104-58] fer begins. Until that time—this is a pure matter of logic—it is undeniable that this company is a satellite of El Paso, even down to the prescription of what percentage of revenues or earnings will be paid over to El Paso as dividends. You will notice under—

The Court: My friend, I don't like that word "satellite," and I must say to you I don't believe it. I think you are misstating the situation to state it is a satellite. That impugns the judgment of the Court. We are not going to set up any satellite of El Paso here.

Mr. Sabin: I am sure your Honor would never intentionally do that. I am merely stating our opinion.

The Court: I would say to you it is no more a satellite than any other group that bought it would be.

Mr. Sabin: As an analogy, if you took Colorado Interstate out of the air—it has been sponsored by the Justice Department as a potential purchaser—the independence of that management could hardly be questioned. It is established. It is a potential competitor. It would not be financially dependent on El Paso. It would have a bargaining position with respect to the assets, the contracts, that the new company doesn't have. It isn't there.

But to get on with it, your Honor, I would like to emphasize that in our opinion the independence is, probably, following the delay, the most important feature of this [fol. 104-59] divestiture to us as consumers and as a Government entity, as well as consumers. It is important that we have somebody who is in a position to look after its own interest and have the resources available to do that. It brings me to the problem of the divestiture of assets.

During the course of these proceedings at one point your Honor made a comment about the West Coast Transmission stock. This is probably the most patent of the—I was going to say "violations," and that is an improper

term under the circumstances. I should say that that is patently an asset of the old company which is not being returned, and so certainly should be the clearest of the matters here involved.

If that stock were divested—to be divested by your order today to Northwest Pipeline Company, that would take care of some of our worries about independence, because then Mr. Clark would have several million dollars. He wouldn't be in the tenuous position that he now finds himself.

Then we get to the San Juan reserve question. Now, your Honor, we just gave you one method of divesting additional reserves. There are a number of them, as many as the imagination allows, I suppose, and we don't mean to say this is the only method of allocating reserves. The important point is that the new company is entitled to additional reserves. Mr. Harrison has said, "No," that [fol. 104-60] would be deprivation of property without due process of law. And I said, "No," it isn't that at all, because El Paso didn't acquire specific reserves for the use of its Southern Division. El Paso acquired reserves as a merged entity.

I like to compare the situation—

The Court: Well, now, I think somewhere along the line we ought to bring this to a conclusion. This was all presented at the trial. It was argued at the trial, debated, considered.

Since I saw you last, the Court has read that transcript, in excess of 2,000 pages, and the Court wrote an opinion in this case, which it will never be necessary to file, because the litigants, without any pressure upon them of any kind at all, have reached an agreement to settle this lawsuit.

I have gone all over this that you are talking about.

Mr. Sabin: I take it from the remark your Honor just made that the decision is made.

The Court: No, the decision isn't made at all. I have written an opinion on it. I didn't tell you what I said in the opinion.

Mr. Sabin: Would you care to hear the alternatives to the San Juan reserve plan then?

The Court: Yes, go ahead.

[fol. 104-61] Mr. Sabin: Very well. In the first place, as I was saying—

The Court: Would you care to limit yourself a little in time?

Mr. Sabin: Certainly.

The Court: Suggest what time you think you need.

Mr. Sabin: Well, your Honor, I find it difficult to estimate.

The Court: I know you do. May we say fifteen minutes?

Mr. Sabin: Certainly. I will try to be briefer than that.

The San Juan reserve situation, as we view it—the after-acquired reserves are much like assets acquired during a marriage, and this becomes sort of like a divorce case. What has really happened is that the two companies have gone together, they have stayed together for a number of years, and now we have the divorce. And the old Pacific Northwest—this is a strange thing, too: You notice the name is now Northwest Pipeline Corporation and used to be Pacific Northwest Pipeline Corporation. We are missing something, just one word. We are also missing reserves. They will have less reserves now than at the time of the marriage, so to speak.

And that brings us to the potential alternatives to en-[fol. 104-62] tering into this property settlement or alimony agreement.

First of all, you can say, "All right, Pacific Northwest ought to have not less than what it came into this merger with." That is sort of fundamental in divorce law. I don't see why it shouldn't be in merger law or divestiture law.

But they aren't. They are going out with less.

You will say, "Yes, they have the same number of wells."

And I say, "No. Gas wells aren't the significant thing.

It is the reserves in place. Gas is a wasting asset. Gas has been running out of those wells for years. It is irretrievable, and irretrievable to the Pacific Northwest Company that would be created hereby."

They are entitled to something.

One way of doing this is simply say, "You had so much when you came into the merger; you will have so much when you go out. Take back your same wells. You are entitled to withdrawals on a credit basis, in-line price, whatever gathering charge is appropriate."

I don't think the New Company would be too badly off under these circumstances to accept the four and a half cent gathering charge. But certainly they have been deprived of any opportunity to acquire any additional reserves anywhere during the period of the merger if El Paso [fol. 104-63] reasoning is accepted. Nobody has said anything about Aneth. That is the producing area just to the west of San Juan. El Paso has tremendous reserves over there since the merger. Nobody is trying to take those away.

If you wanted to go right down the line, you might say, "Those in Aneth, too. Pacific Northwest was in as near proximity to Aneth, just as close as El Paso, or nearly, so they should be entitled to that, too."

We think that would be alimony instead of property settlement, and we aren't asking for alimony for our company.

The same holds true for Texas. The Northwest Production Company, which we have heard about, had extensive holdings in Texas in the Permian Basin, but we are not asking for alimony, just property settlement, and that is the San Juan Basin, which we think is the one involved here.

That, then, would be one way of making it up, give them back the same wells and, say, El Paso threw in so many cubic feet. That is what was withdrawn.

Another way would be to turn the entire San Juan Basin over to El Paso, period, all the reserves, and leave the New

Company with Ignacio processing plant and give them the reserves on a purchase basis, to which El Paso says they are entitled.

This brings us to Mr. Riggs. I would like to go on record at this point in stating the complete confidence of the State [fol. 104-64] of Oregon in Mr. Riggs. We think he told the truth. We are willing to lay it on the line, and I'll bet you El Paso isn't. We will say, "Take the whole San Juan Basin and give us what you say was there at the rates that you prescribe in Exhibit A," and I'll bet you El Paso won't do it. And we say we will do it because we think Riggs was telling the truth.

That is so much for the San Juan Basin.

I think probably, in view of the time, I had better quit now, your Honor, and rely on the memorandum submitted to you.

The Court: Yes, sir.

STATEMENT BY COUNSEL FOR SOUTHERN CALIFORNIA EDISON COMPANY AND COLLOQUY THEREON

Mr. Woodbury: Your Honor, in fairness to your Honor, during the argument of Mr. Sabin I believe your Honor made an observation that you had observed in a paper filed by Southern California Edison Company a suggested sale. I think your Honor must have had in mind some other document filed by somebody else, because I don't believe in anything we filed that was suggested.

The Court: Very well.

Mr. Woodbury: In fairness to my client, your Honor, I would also like to state, in view of what was said during the same argument, that the Southern California Edison Company was interested in competition from out-of-state suppliers before Gulf Pacific was ever thought of. That is [fol. 104-65] the project in which Tennessee and Edison are interested. And it will be interested in competition from out-of-state suppliers after the Gulf Pacific project is certificated.

I just want to make that very clear.

Mr. Harrison: If it is certificated.

Mr. Woodbury: Also, in connection with the comments concerning—your Honor inquired as to what—or that the parties should suggest a better form of decree. We believe that the decree initially proposed by the Antitrust Department was very much superior to what is covered by the stipulation.

The Court: Well, now, you are saying what I thought you said in some document, that is, a sale of assets to some underwriter or group of underwriters.

Mr. Woodbury: No, I have reference to the interlocutory decree.

The Court: That is what the Government first proposed.

Mr. Harrison: I would like counsel to specify the decree which he says the Government proposed. I don't know it.

Mr. Woodbury: I thought I had reference, and I think—

The Court: The Government didn't propose any decree.

[fol. 104-66] Mr. Woodbury: Yes, I believe they did.

Mr. Harrison: If counsel is referring to a decree, I am wondering what it is.

Mr. Woodbury: You will have to give me time to check it, because I am not as familiar with the record as you are.

Mr. Harrison: All right.

Mr. Woodbury: But, in any event, we believe the suggestion asserted by Justice in their briefs, if placed in the form of a decree, would be the practical one, and I would say this, in urging our position today, we certainly do not in any way, while we disagree with the results which the Justice Department suggested, we certainly do not question their motivation. We simply question the interpretation which they put upon, apparently, the decision of the Supreme Court and the interpretation which they put upon, apparently, the powers of the Federal Power Commission in this connection. Right?

Mr. Harrison: Yes, that is right.

Mr. Williams: Your Honor, if I may, I would like to say one or two words.

The Court: Surely.

Mr. Williams: One is, to correct the misapprehension that the Department of Justice sponsored three would-be purchasers, we merely presented, as your Honor well [fol. 104-67] knows, three purchasers we felt were properly qualified, but that did not mean we were sponsoring either one or all three as purchasers, merely to make the point that, should the Court decide that sale to third parties was feasible as a proper remedy, that there were people available and that the Court should consider that.

The decree submitted to the Court with the consent of the Government, in our judgment, will carry out the mandate of the Supreme Court. And your Honor will recall the principal objection we made to the plan of divestiture originally proposed by El Paso was that it would not insure the complete economic separation between the two companies. And we feel the decree now before your Honor accomplishes that essential objective of the Department of Justice in that the ownership of the two companies will not be the same, that the court-appointed trustee and the chief executive officer and independent management will be separate and independent from El Paso as far as we have been able to ascertain, and we make it clear that we have talked to all three of the gentlemen who will serve as officers, and we have confidence of their integrity and their independence; and, on balance, we would like to say that the decree in our judgment would carry out the mandate of the Supreme Court, and, under the circumstances, we feel it is necessary that the case get on and get completely [fol. 104-68] disposed of as soon as possible.

The Court: The Court would like to say, Mr. Williams, and Mr. Harrison, that it has been a pleasure, not only for the Court, but for the court staff, to work with you folks in an attempt to solve this problem. It has gone

over a long period of time and the relationships have been helpful, and, for my own part, I have enjoyed working with you. On behalf of my staff I want to extend my thanks to you for your courtesies to them. They have tried to be helpful to you. I hope they have.

All right, now, suppose we have lunch. Is there any reason why we shouldn't come here after lunch to complete our business here, or would you prefer to proceed now?

Mr. Harrison: The Court's pleasure is mine.

The Court: Do you have the decree?

Mr. Harrison: If your Honor please, I hand the clerk a form of order approving the appointment of chief executive officer and the other executive officers and the directors, which we submit to the Court for consideration.

The Court: All right, hand it up.

Mr. Harrison: We will submit later to the Court the two orders which the Court requested and which we have not prepared.

The Court: Now, I suppose that completes our business this morning. Mr. Harrison and Mr. Williams, is there [fol. 104-69] anything further?

Mr. Harrison: Not at the moment, your Honor. We will submit the further orders for approval.

The Court: Very well.

Mr. Williams: Thank you very much, Judge Ritter.

* * * * * * *

Reporter's Certificate to foregoing transcript (omitted in printing).

[fol. 104-70]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT S

CERTIFICATE OF INCORPORATION

of

NORTHWEST PIPELINE CORPORATION

FIRST: The name of the corporation (hereinafter referred to as the "Corporation") is

NORTHWESTERN PIPELINE CORPORATION

SECOND: Its principal office in the State of Delaware is located at No. 100 West Tenth Street, in the City of Wilmington, County of New Castle. The name and address of its resident agent is The Corporation Trust Company, No. 110 West Tenth Street, Wilmington 99, Delaware.

THIRD: The nature of the business, or objects or purposes to be transacted, promoted or carried on are:

1. To engage in any business or businesses involving the production, purchase, sale, storage, transportation, distribution and marketing of oil, gas, petroleum, chemicals, petrochemicals, hydrocarbons, ores, metals and other minerals and mineral solutions and any and all other natural resources and the derivatives, products and by-products thereof, and, in such connection, to search, prospect and explore for oil, gas, petroleum, ores, metals, minerals and any and all other natural resources and to produce, manufacture, reduce, refine, prepare, distill and otherwise deal in and with the same and their derivatives, products and by-products; to lay down, construct, maintain and operate pipe lines, tubes, tanks, pump stations, compressor stations, gas purification and dehydration plants, gasoline plants, connec-

tions, fixtures, storage houses and reservoirs and such machinery, apparatus, devices and arrangements as may be necessary to operate the same; to own, hold, use and occupy such lands, rights of way, easements, franchises, buildings, plants and structures as may be necessary to accomplish the purposes aforesaid; and in [fol. 104-71] general to engage in such other activities as may in any way relate to or be used or useful in connection with any one or more of the foregoing businesses.

2. To acquire, by purchase or otherwise, lease, own, hold, sell, convey, develop, equip, maintain, operate and otherwise deal in and with lands containing or thought to contain oil, gas, petroleum, chemicals, petrochemicals, metals, ores, coal and other minerals and mineral substances; and to locate, lease, control, develop, equip, maintain and operate oil wells, gas wells and mines and the engines, machinery, equipment, appliances and tools of every kind and description used or useful in connection therewith, and any and all rights and interests therein.

3. To acquire, by purchase or otherwise, construct, lease, own, hold, sell, convey, equip, maintain, operate and otherwise deal in and with pipe lines, cars, tanks, tramways, refineries, reduction plants and any and all other conveyances, facilities, appliances and apparatus for storing, transporting, distributing, marketing, manufacturing, distilling, refining, reducing, preparing or otherwise dealing in and with oil, gas, petroleum, chemicals, petrochemicals, hydrocarbons and the derivatives, products and by-products thereof and any and all other metals, ores, minerals and mineral substances and other natural resources and the derivatives, products and by-products thereof.

4. To acquire, by purchase or otherwise, lease, sell, convey, own, hold, operate, survey, improve, cultivate,

re-forest and otherwise deal in and with timber lands, woodlands and timber rights; to cut or take wood or timber therefrom; to acquire, by purchase or otherwise, sell, lease or otherwise dispose of or use in any manner, any and all rights, privileges, easements and interests in, on, over and upon such lands; to engage in and transact a lumber business in any or all of its branches; to acquire, by purchase or otherwise, sell or otherwise dispose of and in any manner deal in and with timber, trees, logs, lumber and wood of any and all kinds in any and all forms and conditions, whether felled or standing; and to fell, haul, float or otherwise transport, [fol. 104-72] cut, dress, treat, work, or handle timber, trees, logs, lumber and wood of any and all kinds in any manner and for any and all purposes.

5. To acquire by purchase or otherwise, own, hold, lease, sell, construct, build, equip, maintain and operate mills, factories, plants, shops, furnaces, kilns and other buildings, structures and facilities and, in such connection to acquire, own, hold, lease, sell, construct, maintain and otherwise deal in and with engines, machinery, equipment, appliances, tools and implements of every character and description; and to manufacture, purchase or otherwise acquire and to hold, own, mortgage, pledge, sell, transfer or in any manner dispose of, and to deal and trade in and with goods, wares, merchandise and personal property of any and every class and description and wherever situated.

6. To engage in research, experimental, laboratory, technical and development work of whatever kind in any area of pure or applied science; to develop, maintain and furnish consulting, advisory, technological, scientific, management and other services of whatever kind to any entity or entities; and in connection therewith to employ or retain others to provide or carry on or obtain any one or more of such services for the

business or purposes of the Corporation; and in any of such cases to do any or all of the foregoing either alone or in conjunction with others, and upon any basis or bases.

7. To purchase, take on, lease, exchange or otherwise acquire, hold, own, develop, exploit, explore, improve, maintain, operate, mortgage, pledge, sell, assign, transfer, lease, license, convey or otherwise dispose of or deal in or with any and all lands, surface and subsurface, and real and/or personal property or any interest therein or right in respect thereof, either within or outside the State of Delaware; and to plan, build, erect, construct, maintain, repair, remodel, recondition and demolish, for itself or for others, edifices, buildings, structures, plants, works and things of any and every kind, nature and description and wheresoever located.

[fol. 104-73] 8. To subscribe for, purchase or otherwise acquire, hold, own, mortgage, pledge, sell, assign, transfer or otherwise dispose of, securities or any interest therein, created, issued or granted by any entity or entities; and to pay for any such securities, in whole or in part, with cash or other property or with securities of the Corporation or otherwise, and, while the owner thereof, to possess and to exercise in respect thereof all rights, powers and privileges of ownership, including the right to vote thereon or in respect thereof; to guarantee the payment of dividends on any securities of any entity or entities in which the Corporation has or may at any time have an interest, and to become surety in respect of, endorse or otherwise guarantee the payment of the principal of, or interest on, any securities of any such entity or entities; to become surety for or guarantee the carrying out and performance of any and all contracts, leases, and obligations of every kind of any entity or entities, and in

particular of any entity or entities any of whose securities are at any time held by or for the Corporation; and to do any acts or things designed to protect, preserve, improve, or enhance the value of any such securities.

9. To purchase or otherwise acquire all or any part of the business, good will, rights, property and assets of every kind of any entity or entities and to pay therefor, in whole or in part, with cash or other property or with securities of the Corporation or otherwise, and to assume all or any part of the liabilities of any such entity or entities; to hold, maintain and operate, or to dispose of the whole or any part of the business, good will, rights, property and assets so acquired; and to carry on the whole or any part of any business so acquired, and to exercise all powers advantageous or necessary to the successful conduct of said business.

10. To purchase, apply for, obtain, register, take on, lease or otherwise acquire, hold, own, use, exercise, develop, mortgage, pledge, sell, assign, lease, transfer, take or grant licenses in respect of or otherwise dispose of or turn to account any and all copyrights, trademarks, trade names, designs, labels and other trade rights, letters patent, licenses, patent rights, patented [fol. 104-74] processes and all similar rights and property however and wherever created, issued or granted, or any interests therein or rights thereunder, and any inventions, improvements, processes, methods, know-how, designs, formulae or devices, patented or unpatented, which may seem capable of being used for or in connection with any of the objects or purposes of the Corporation.

11. To borrow or raise moneys for any of the objects or purposes of the Corporation without limit as to amount; from time to time to issue securities, whether secured or unsecured, of the Corporation for

moneys so borrowed, or in payment for property acquired, or for any of the other objects or purposes of the Corporation or in connection with its business; and to secure such securities by mortgage, deed of trust, pledge or other lien upon, or assignment of, or agreement in respect of, any or all of the property, assets, rights, licenses, privileges or franchises of the Corporation, acquired or to be acquired, and to pledge, sell, assign, or otherwise dispose of any or all of such securities of the Corporation.

12. To lend money, with or without security therefor, to any entity or entities; to promote, organize, incorporate, reorganize, finance, procure capital or credit for, or assist financially or otherwise, any entity or entities in any manner or by any method whatsoever, and to do any and all things necessary or convenient to carry any of such purposes into effect.

13. To enter into, make and perform contracts of every kind for any lawful purpose, without limit as to amount, with any person, firm, association, corporation, town, city, county, state, territory or government.

14. To carry out all or any part of the foregoing objects and purposes in any part of the world as principal, agent, contractor, or otherwise, either alone or in conjunction with any entity or entities, and either directly or indirectly through one or more subsidiary or controlled entities organized or utilized for the purpose; and in carrying on its business and for the pur-
[fol. 104-75] pose of attaining or furthering any of its objects or purposes, to make and perform such contracts, to do such acts and things, and to exercise any and all such powers, as a natural person could lawfully make, perform, do or exercise, provided that the same be not inconsistent with the laws of the State of Delaware.

15. To carry on all or any of its operations or business in the State of Delaware and/or in any or all other states, territories, possessions, colonies and dependencies of the United States of America, and in the District of Columbia, and in any or all foreign countries; to have one or more offices within and/or outside the State of Delaware; to do any and all things necessary, suitable, convenient or proper for, or in connection with, or incidental to, the accomplishment of any of the purposes or the attainment of any one or more of the objects herein enumerated, or designed directly or indirectly to promote the interests of the Corporation, or to enhance the value of any of its properties; and in general to do any and all things and exercise any and all powers which it may now or hereafter be lawful for the Corporation to do or to exercise under the laws of the State of Delaware which may now or hereafter be applicable to the Corporation; *provided, however,* that the Corporation shall not in any state, district, territory, possession or country carry on any business or exercise any powers except such as the Corporation may be entitled to carry on or exercise under the laws of said state, district, territory, possession or country.

Whenever used in the foregoing clauses of this Article THIRD, the expression "securities" shall mean and include, without limiting its generality, any and all bonds, notes, coupons, mortgages, debentures, open accounts, acceptances, commercial paper, bills and accounts receivable, and/or any other instruments evidencing indebtedness, however created, issued or granted and whether fully paid or subject to further payments, and also any and all certificates of stock, scrip, interim receipts, participation certificates, voting trust certificates, subscription warrants, option warrants and/or any other instruments evidencing interest in share capital or other property, however created, issued or granted and whether fully paid or subject

[fol. 104-76] to further payments; and the expression "entity" or "entities" shall mean and include, without limiting its generality, any and all corporations, public, quasi-public or private, of any kind, wherever and however organized, as well as any and all individuals, partnerships, firms, joint stock companies, associations, syndicates, trusts, trustees, governments, governmental subdivisions or agencies and municipalities.

It is the intention that the objects and purposes specified in the foregoing clauses of this Article THIRD shall also be construed as powers, and that the foregoing enumeration of specific objects, purposes and powers shall not be held to limit or restrict in any manner the powers of the Corporation, but shall be in furtherance of, and in addition to, and not in limitation of, the general powers conferred by the laws of the State of Delaware.

It is also the intention that, except where otherwise expressed herein, the objects, purposes and powers specified in any of the foregoing clauses shall not in anywise be limited or restricted by reference to, or inference from, the terms of any other clause or clauses of this Certificate of Incorporation, and that the objects, purposes and powers specified in each of the clauses of this Article THIRD shall be regarded as independent objects, purposes and powers.

Nothing in this Certificate of Incorporation contained shall be construed as authorizing the Corporation to issue bills, notes or other evidences of debt for circulation as money, or to carry on the business of receiving deposits of money, or the business of buying gold or silver bullion or foreign coins, or to carry on the business of constructing, maintaining and operating public utilities within the State of Delaware.

FOURTH: The total number of shares of capital stock which the Corporation shall have authority to issue is One Thousand (1,000), of the par value of One Hundred Dollars ($100) per share, all of which are to be of one class, designated Common Stock.

Shares of stock of the Corporation, whether with or without par value, of any class or classes hereby or hereafter authorized, may be issued by the Corporation from time to time for such consideration permitted by law as may be fixed from time to time by the Board of Directors. [fol. 104-77] Said Board shall have authority as provided by statute to determine that only a part of the consideration which shall be received by the Corporation for any of the shares of its stock which it shall issue from time to time shall be capital.

FIFTH: The minimum amount of capital with which the Corporation will commence business is One Thousand Dollars ($1,000).

SIXTH: The name and place of residence of each of the incorporators are as follows:

Name	*Residence*
A. D. Atwell	Wilmington, Delaware
F. J. Obara, Jr.	Wilmington, Delaware
A. D. Grier	Wilmington, Delaware

SEVENTH: The Corporation is to have perpetual existence.

EIGHTH: The private property of the stockholders of the Corporation shall not be subject to the payment of corporate debts to any extent whatever.

NINTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation and for defining and regulating the powers of the Corporation and its directors and stockholders and are in furtherance and not in limitation of the powers conferred upon the Corporation by statute:

(a) The first meeting of stockholders for the election of directors shall be held at the principal office

of the Corporation in the State of Delaware on the fourth Tuesday in April in 1968 and thereafter the [fol. 104-78] directors shall be elected at the time and place within or without the State of Delaware named in the By-laws. Any vacancy in the Board and any newly created directorship resulting from any increase in the number of directors may be filled by a majority of the directors then in office, though less than a quorum, and the directors so chosen shall hold office until the next meeting of stockholders for the election of directors provided for in the preceding sentence and until their successors are duly elected and qualified.

(b) The By-laws of the Corporation may fix and alter or provide the manner for fixing and altering the number of directors constituting the whole Board, provided that such number shall be not less than three. Directors need not be stockholders and directors need not be chosen by ballot.

(c) The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more of the Directors of the Corporation, which, to the extent provided in said resolution or resolutions or in the By-laws of the Corporation, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the By-laws or as may be determined from time to time by resolution adopted by the Board.

(d) Except as may be otherwise provided in the By-laws, the Board of Directors may from time to time by resolution or resolutions adopted by a majority of the whole Board

(1) fix the fees, salaries or other compensation or amounts to be paid to the members of any committee designated pursuant to paragraph (c) above; and

(2) authorize the payment of fees for attendance at meetings of the Board and all salaries or other compensation or amounts to all or any of the members of the Board, as such, in such amount or amounts, and payable in a lump sum or in such installments and at such times as the Board shall determine as aforesaid, which salaries or other compensation or amounts may be in addition to any [fol. 104-79] amounts payable to such member or members for attendance at meetings of the Board, and in addition to any fees, salaries or other compensation or amounts which may be paid or payable to such member or members as a member of any committee or as an officer of the Corporation, or in any other capacity;

and anything in subparagraph (g) below in, or in any other provision of, this Article to the contrary notwithstanding, any resolution adopted by a majority of the whole Board as aforesaid shall be valid for all purposes whether or not any one or more directors affected, or intended to be affected, thereby may be included in such majority or vote or may vote for such resolution or may be a member of any such committee or may receive any such fees, salaries, compensation or other amounts and whether or not the presence of such directors at any meeting at which such resolution is so passed is or was necessary to constitute a quorum thereat.

(e) The Board of Directors shall have the power and authority

(1) to make, alter or repeal, or to adopt new, By-laws of the Corporation;

(2) from time to time to set apart out of any assets of the Corporation otherwise available for dividends a reserve or reserves as working capital or for any other proper purpose or purposes, and to reduce, abolish or add to any such reserve or reserves from time to time as said Board may deem to be in the interests of the Corporation; and said Board shall likewise have power to determine in its discretion what part of the assets of the Corporation available for dividends in excess of such reserve or reserves shall be declared as dividends and paid to the stockholders of the Corporation;

(3) from time to time to determine to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred [fol. 104-80] by the laws of the State of Delaware, unless and until authorized so to do by resolution of the Board of Directors or of the stockholders of the Corporation;

(4) from time to time to fix the compensation or additional compensation or other remuneration to be paid to any of the officers, agents or employees of the Corporation for services rendered, or to be rendered, and to adopt any plan or other arrangement that it may deem advisable for determining the amounts of such compensation, additional compensation or other remuneration, including, without limiting the generality of the foregoing, any plan or arrangement under which all or a part of the amounts so payable may be dependent upon the amount of the gross or net income, earnings or profits (consolidated or otherwise) of the Corporation, and/or any one or more of its subsidiaries,

upon such terms and conditions as the Board may fix;

(5) to the full extent permitted or not prohibited by law, and without the consent of or other action by the stockholders, to authorize or create mortgages, pledges or other liens or encumbrances upon any or all of the properties and assets, real, personal or mixed, and franchises of the Corporation, and to exercise all of the powers of the Corporation in connection therewith; and

(6) in addition to the power and authority hereinbefore and by statute conferred upon it, to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the laws of Delaware, of this Certificate and of the By-laws, as the same may be from time to time amended.

(f) At every meeting of the stockholders of the Corporation, each stockholder entitled to vote thereat may cast one vote, in person or by proxy, in respect of each share of stock held by such stockholder.

(g) A director of the Corporation shall not, in the absence of fraud, be disqualified by his office from [fol. 104-81] dealing or contracting with the Corporation either as a vendor, purchaser or otherwise, nor, in the absence of fraud, shall any transaction or contract of the Corporation be void or voidable or affected by reason of the fact that any director, or any firm of which any director is a member, or any corporation of which any director is an officer, director or stockholder, is in any way interested in such transaction or contract, provided that at the meeting of the Board of Directors or of a committee thereof having authority in the premises, authorizing or confirming said contract or transaction, the existence of an interest of such director, firm or corporation is disclosed or made known and there shall be present a quorum of the

Board of Directors or of directors constituting such committee, and such contract or transaction shall be approved by a majority of such quorum, which majority shall consist of directors not so interested or connected. A general notice spread upon the minutes of the Board of Directors or of any committee thereof that a director is a member of any firm or an officer, director or stockholder of any corporation and is to be regarded as interested in any subsequent transaction with such firm or corporation shall be a sufficient disclosure under the foregoing provision, and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such firm or corporation. Nor shall any director, nor any firm of which any director is a member, nor any corporation of which any director is an officer, director or stockholder, be liable to account to the Corporation for any profit realized from or through any such transaction or contract of the Corporation authorized, confirmed or approved as aforesaid, by reason of the fact that such director or any firm of which he is a member, or any corporation of which he is a stockholder, director or officer, was interested in such transaction or contract. Directors so interested may be counted when present at meetings of the Board of Directors or of such committee for the purpose of determining the existence of a quorum. Any contract, transaction or action of the Corporation or of the Board of Directors or of any committee thereof (whether or not authorized, confirmed or approved as [fol. 104-82] hereinbefore provided) which shall be ratified by a majority in interest of the holders of the capital stock entitled to vote, at any meeting called for such purpose, shall be as valid and as binding as though ratified by every stockholder of the Corporation. Any director of the Corporation may vote upon any contract or transaction between the Corporation and any subsidiary or affiliated corporation of which he is also a director or officer and, when so voting,

may be counted in determining the existence of a quorum at a meeting to consider any such contract or transaction, which shall not be invalid or otherwise affected thereby or by reason of such vote.

(h) The Corporation shall have power to purchase, hold, sell and transfer shares of its own stock of whatever class; provided that, except as otherwise permitted by statute (including without limitation § 243 of the General Corporation Law of Delaware), it shall not use its funds or property for the purchase of its own shares of stock when such use would cause an impairment of its capital; and provided further that shares of its own stock belonging to the Corporation shall not be voted upon directly or indirectly.

(i) Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the [fol. 104-83] provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise

or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

(j) Except as otherwise provided in the By-laws, the stockholders of the Corporation and the Board of Directors may hold their meetings and have an office or offices outside of the State of Delaware, and, subject to the provisions of the laws of said State, may keep the books of the Corporation outside of said State at such places as may, from time to time, be designated by the Board of Directors.

(k) The By-laws may contain provisions, in addition to those herein set forth, relating to the management of the business of the Corporation and the conduct of its affairs and further defining, limiting and regulating the powers of the directors and of the stockholders.

(l) Nothing in this Certificate of Incorporation contained shall be deemed to restrict any power which the Board of Directors or any Committee would otherwise have to act by written consent, as and to the extent permitted by the laws of the State of Delaware, as from time to time amended.

TENTH: Unless expressly conferred by the terms of this Certificate of Incorporation, as amended from time to time, or by the terms of a valid agreement to which the Corporation is a party, or by the terms of the securities issued by the Corporation, no holder of stock, or of rights or options to purchase stock, of the Corporation of any class, as such, [fol. 104-84] shall have any preemptive or preferential right of subscription to any shares of stock, or rights or

options to purchase stock, of the Corporation of any class whether now or hereafter authorized, or to any obligations convertible into stock, or into rights or options to purchase stock, of the Corporation (including any notes, bonds or other evidences of indebtedness to which are attached or with which are issued warrants or other rights to purchase any stock of the Corporation), issued or sold, or any right of subscription to any thereof other than such, if any, as the Board of Directors in its discretion may from time to time fix pursuant to the authority conferred by this Certificate of Incorporation. Shares of stock, rights or options to purchase stock, or obligations convertible into stock or into rights or options to purchase stock, of the Corporation may from time to time be issued and sold to such parties, whether stockholders or others, as the Board of Directors in its sole discretion may determine.

ELEVENTH: The Corporation reserves the right to amend the provisions contained in this Certificate and in any certificate amendatory thereof in the manner now or hereafter prescribed by law, and all rights conferred on stockholders or others hereunder or thereunder are granted subject to such reservation.

IN WITNESS WHEREOF, we, the undersigned, being all of the incorporators of the Corporation hereinbefore named, do certify that the facts herein stated are true, and have accordingly hereunto set our respective names and seals this 10th day of June, 1965.

A. D. ATWELL (L.S.)
F. J. OBARA, JR. (L.S.)
A. D. GRIER (L.S.)

In the presence of:
HOWARD K. WEBB

(As to all signatures)

[fol. 104-85]
STATE OF DELAWARE,
COUNTY OF NEW CASTLE, *ss.*:

BE IT REMEMBERED that on this 10th day of June, 1965, personally came before me Howard K. Webb, a Notary Public in and for said County and State A. D. Atwell, F. J. Obara, Jr., and A. D. Grier, being all of the parties to the foregoing Certificate of Incorporation, known to me personally to be such, and, I having first made known to them and to each of them the contents of said Certificate, they did severally acknowledge said Certificate to be the act and deed of the signers, respectively, and that the facts therein stated are truly set forth.

Given under my hand and seal of office the day and year aforesaid.

HOWARD K. WEBB
Notary Public

HOWARD K. WEBB
Notary Public
Appointed June 27, 1964
State of Delaware
Term 2 Years

[fol. 104-86]

STATE OF DELAWARE

[Stamp—Received Sep 9 1965—Office of the Clerk of Supreme Court, U.S.]

OFFICE OF SECRETARY OF STATE.

I, ELISHA C. DUKES, Secretary of State of the State of Delaware, do hereby certify that the above and foregoing is a true and correct copy of Certificate of Incorporation of the "NORTHWEST PIPELINE CORPORATION", as received and filed in this office the tenth day of June, A.D. 1965, at 10 o'clock A.M.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal at Dover this tenth day of June in the year of our Lord one thousand nine hundred and sixty-five.

/s/ ELISHA C. DUKES
Secretary of State

/s/ G. L. DOWNS
Ass't Secretary of State

(SEAL)

[fol. 104-87]

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT T

BY-LAWS

of

NORTHWEST PIPELINE CORPORATION

ARTICLE I

Offices

Section 1. *Delaware Office.* The principal office of the Corporation in the State of Delaware shall be in the City if Wilmington, County of New Castle, State of Delaware, and the name of the resident agent in charge thereof is The Corporation Trust Company. A duplicate stock ledger shall be kept at such office.

Section 2. *Other Offices.* The Corporation may also have an office or offices at such other places in the United States or elsewhere as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

Meetings of Stockholders

Section 1. *Annual Meeting.* The annual meeting of stockholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before said meeting shall, following the first meeting of stockholders as set forth in the Certificate of Incorporation, be held at the office of the Corporation in Wilmington, Delaware, at 11:00 o'clock in the forenoon on

the fourth Tuesday in April of each year commencing with the year 1969, if not a legal holiday and if a legal holiday, then on the next succeeding full business day.

Section 2. *Special Meetings.* Special meetings of stockholders, for any purpose or purposes, may, except as otherwise prescribed by law or in the Certificate of Incorpora- [fol. 104-88] tion, be called at any time by the Chairman of the Board, the President or the Board of Directors to be held at such time and place, either within or outside the State of Delaware, as may be designated in the notice thereof, and the Chairman of the Board, the President or any Vice President or the Secretary shall call such a meeting whenever stockholders, holding not less than one-third (⅓) of the outstanding stock of the Corporation entitled to vote at such meeting, shall make written application therefor, stating the place and purposes of the meeting applied for.

Section 3. *Notice of Meetings.* Except in special cases where other express provision is made by statute, and except also as provided in Section 2 of ARTICLE VII hereof, written notice of all meetings of stockholders, stating the time, place and, in general terms only, the purpose thereof, shall be given by the Chairman of the Board, the President or any Vice President or the Secretary or any Assistant Secretary to each stockholder of record having voting power in respect of the business to be transacted thereat, either by serving such notice upon him personally or by mailing or telegraphing the same to him at his registered address, at least ten (10) days prior to the date of the meeting.

Section 4. *Quorum.* The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or by proxy, shall be required to and shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise pro-

vided by law, by the Certificate of Incorporation or by these By-laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented and the meeting may be held as adjourned without further notice. If a quorum be present at any meeting of stockholders and the meeting is adjourned to reconvene at a later time and/or date, no notice need be given other than announcement at the meeting. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of law or of the Certificate of Incorporation or of these By-laws a larger or different vote is required, in which case such express provision shall govern and control [fol. 104-89] the decision of such question. The stockholders present or represented at any duly called and held meeting at which a quorum is present or represented may continue to do business until adjournment, notwithstanding the withdrawal of such number as to leave less than a quorum.

Section 5. *Organization.* Each meeting of stockholders shall be presided over by the Chairman of the Board, or in his absence the President, or in the absence of the Chairman of the Board and the President, by a Vice President thereunto designated by the Board of Directors, or in the absence of the Chairman of the Board, the President and a Vice President so designated, by any other person selected to preside by vote of the holders of a majority of the outstanding stock present in person or by proxy and entitled to vote at the meeting. The Secretary, or in his absence an Assistant Secretary, or in the absence of both

the Secretary and an Assistant Secretary any person designated by the Chairman of the Board or other person presiding at the meeting, shall act as Secretary of the meeting.

Section 6. *Proxies and Voting of Shares.* At any meeting of stockholders, each stockholder entitled to vote any shares on any matter to be voted upon at such meeting may exercise such voting right either in person or by proxy appointed by an instrument in writing, which shall be filed with the Secretary of the meeting before being voted. Such proxies shall entitle the holders thereof to vote at any adjournment of such meeting, but shall not be valid after the final adjournment thereof. No proxy shall be voted on after three years from its date unless said proxy provides for a longer period. Except where the transfer books of the Corporation shall have been closed or a date shall have been fixed as a record date for the determination of stockholders entitled to vote, as in these By-laws provided, no share of stock shall be voted at any election of directors which shall have been transferred on the books of the Corporation within twenty days next preceding such election of directors. Upon the demand of any stockholder, the election of directors and the vote upon any other question before the meeting, shall be by ballot.

Section 7. *Voting List of Stockholders.* The officer who shall have charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every election of directors at any meeting of stockholders, a complete list of the stockholders entitled to vote at said election, arranged in alphabetical order and showing the address and the number of shares registered in the name [fol. 104-90] of each such stockholder. Such list shall be open, during the usual hours of business, at the place where said election is to be held, for said ten days, to the examination of any stockholder; and shall be produced and kept at the time and place of election during the whole time

thereof and subject to the inspection of any stockholder who may be present.

Section 8. *Consent of Stockholders in Lieu of Meeting.* Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any corporate action by any provisions of any statute or of the Certificate of Incorporation or of these By-laws, the meeting and the vote of stockholders may be dispensed with, if all the stockholders who would have been entitled to vote upon the action if such meeting were held, shall consent in writing to such corporate action being taken.

Article III

Directors

Section 1. *Power and Duties of the Board of Directors.* The Board of Directors shall have the general management of the affairs, property and business of the Corporation and they may adopt such rules and regulations for that purpose and for the conduct of their meetings as they may deem proper. The Board may exercise and shall be vested with the powers of the Corporation in so far as not inconsistent with law, the Certificate of Incorporation or with these By-laws.

Section 2. *Number and Qualifications.* The number of directors constituting the whole Board shall be not more than fifteen nor less than three. The first Board shall consist of seven directors. Thereafter, the authorized number of directors, within the limits above specified, shall be determined by resolution of the Board of Directors. Directors need not be stockholders of the Corporation.

Section 3. *Election and Term.* Except as otherwise provided by law or by these By-laws, the directors of the Corporation elected after the first meeting of stockholders of

the Corporation shall be elected at the annual meeting of stockholders in each year. Each such director shall be elected to serve until the next annual meeting of stockholders and until a successor shall have been duly elected and shall qualify.

[fol. 104-91] Section 4. *Regular Meetings.* Regular meetings of the Board of Directors shall be held at such time and place, either within or outside of the State of Delaware, as may be determined by resolution of the Board. No notice of a regular meeting need be given (any practice or custom to the contrary notwithstanding) and any business may be transacted at a regular meeting, held as aforesaid, subject only to the requirements of Article XI hereof.

Section 5. *Special Meetings.* Special meetings of the Board of Directors may, unless otherwise expressly provided by law, be called from time to time by the Chairman of the Board, the President or the Secretary, or by a written call signed by any two or more directors and filed with the Office of the Secretary. Each special meeting of the Board shall be held at such place, either within or outside of the State of Delaware, as shall be designated in the notice of such meeting.

Section 6. *Notice of Special Meetings.* Notice of a special meeting of the Board of Directors, stating the time and place thereof, shall, except as otherwise expressly provided by law, be given by mailing or telegraphing the same to each director at his residence or business address at any time on or before the third day before the day of the meeting or by delivering the same to him personally or telephoning the same to him personally at his residence or business address at any time on or before the second day before the day of the meeting. Except as otherwise required by statute or as provided in ARTICLE XI hereof, no notice or waiver of notice of a special meeting of the Board need state the purpose or purposes of such meeting, and

any business may be transacted thereat, any practice or custom at any time to the contrary notwithstanding.

Section 7. *Quorum.* One-third of the number of directors which shall constitute the whole Board for the time being, but not less than two, shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. If less than a quorum be present at a meeting, the directors present may adjourn the meeting and the meeting may be held as adjourned without further notice. If a quorum be present at a meeting and the meeting is adjourned to reconvene at a later time and/or date, no notice need be given other than announcement at the meeting. Except as otherwise provided by law, by the Certificate of Incorporation or by these By-laws, when a quorum is present at any meeting of the Board of Direc-
[fol. 104-92] tors, a majority of the directors present at such meeting shall decide any question brought before such meeting and the action of such majority shall be deemed to be the action of the Board.

Section 8. *Organization.* Each meeting of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by the President, or in the absence of the Chairman of the Board and the President, by any person selected to preside by vote of a majority of the directors present. The Secretary, or in his absence an Assistant Secretary, or in the absence of both the Secretary and an Assistant Secretary, any person designated by the chairman of the meeting, shall act as secretary of the meeting.

Section 9. *Compensation of Directors.* Directors as such shall not receive any stated salary for their services, but the Board may, from time to time, in its discretion, by a resolution or resolutions passed by a majority of the whole Board, fix the amounts which shall be payable to the members thereof for attendance at meetings of the Board and

provide for reimbursement of expenses of such attendance, both of which shall be in addition to any fees, salaries, or other compensation which may be paid or payable to such member or members in any other capacity.

Section 10. *Indemnification of Directors and Officers.* Each director and officer and former director and officer of the Corporation and his legal representatives shall be indemnified and held harmless by the Corporation from and against any loss, cost, liability and expense, including, but not limited to, counsel fees and disbursements, amounts of judgments, fines or penalties and amounts paid in settlement, that may be imposed upon or incurred by him in connection with or resulting from any claim, action, suit or proceeding, civil or criminal, or the threat thereof, in which he may become involved, as a party or otherwise, by reason of his being or having been a director or officer of the Corporation, whether or not he continues to be a director or officer of the Corporation at the time such loss, cost, liability or expense shall have been imposed or incurred. No such director or officer shall be indemnified with respect to any matter if a court shall make a final adjudication or, in the event of a settlement, if a determination is made by the Board of Directors or in a manner designated by it, that in connection with such matter he has been derelict in the performance of the duties involved in the conduct of his office as such director or officer or such matter arises out of his wilful misfeasance, bad faith, [fol. 104-93] gross negligence or reckless disregard of such duties. The foregoing right of indemnification shall not be exclusive of other indemnifications which may be granted under Delaware law.

Section 11. *Committees.* The Board of Directors may, by resolution or resolutions adopted by a majority of the whole Board, designate one or more committees, each committee to consist of two or more of the directors of the Corporation, which, to the extent provided in said reso-

lution or resolutions, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation, and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board. The committees shall keep regular minutes of their proceedings and report the same to the Board when required.

Section 12. *Written Consents.* Any action required or permitted to be taken at any meeting of the Board of Directors or by any committee thereof may be taken without a meeting, if prior to such action a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

Article IV

Officers

Section 1. *Number and Designation.* The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers as may be appointed as provided in Section 2 of this Article. The officers specifically named as aforesaid shall be elected annually by the Board of Directors after its election by the stockholders and shall hold office until their successors are duly elected and qualified, subject, however, to the provisions of Article V hereof, and a meeting of the directors may be held without notice for this purpose, as well as for the transaction of any other business, immediately after the annual meeting of the stockholders and at the same place. In the event [fol. 104-94] of the failure of the Board so to elect any such officer, such officer may be elected at any subsequent meeting (regular or special) of the Board. Any person

may hold two or more offices, provided, however, that no one person shall at the same time be Chairman of the Board, or President, and Secretary and hold any other office. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board.

Section 2. *Other Officers.* The Board of Directors may from time to time appoint one or more other officers of the Corporation, including but not limited to a Controller, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as the Board may deem necessary or desirable. Each officer so appointed shall hold office during the pleasure of the Board and shall exercise such powers and perform such duties as may be assigned to him by or pursuant to authority of the Board or the Chairman of the Board or the President, or by any other person as provided in these By-laws.

Section 3. *Chairman of the Board.* The Chairman of the Board of Directors shall preside at all meetings of stockholders and of the Board of Directors at which he shall be present. He shall be the chief executive officer of the Corporation and shall be responsible to the Board of Directors for the general administration and management of the business and affairs of the Corporation. He shall have such other powers and perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 4. *President.* Subject to the direction and control of the Board of Directors and the Chairman of the Board, the President shall have direct charge of and supervision over the business and operations of the Corporation. In the absence or inability to act of the Chairman of the Board, the President may preside at any meeting of the stockholders or of the Board of Directors and may exercise any of the other powers or perform any of the other duties of the Chairman of the Board. The President shall

have such other powers and shall perform such other duties as may be assigned to him by the Board of Directors or by the Chairman of the Board.

Section 5. *Vice Presidents.* In the absence or inability to act of the President, any Vice President designated by the Board of Directors shall perform all the duties and may exercise all the powers of the President. Each Vice President shall have such other powers and shall perform such other duties as may be assigned to him by the Board or the Chairman of the Board or the President.

[fol. 104-95] Section 6. *Treasurer.* The Treasurer shall have general supervision over the care and custody of the funds and securities of the Corporation and shall deposit the same or cause the same to be deposited in the name of the Corporation in such bank or banks, trust company or trust companies and in such safe deposit company or companies as the Board of Directors may designate; shall have supervision over all receipts and disbursements of the Corporation and also general responsibility for its accounting procedures and practices; shall, whenever required by the Board or the Chairman of the Board, render or cause to be rendered an account or accounts of all his transactions as Treasurer and of the financial condition of the Corporation; shall have the power and perform the duties usually incident to the office of Treasurer; and shall have such other powers and perform such other duties as may be assigned to him by the Board or the Chairman of the Board or the President.

Section 7. *Assistant Treasurers.* The Assistant Treasurers shall perform the duties of the Treasurer in his absence or inability to act, and shall perform such other duties as may be assigned to them by the Treasurer, or

the Chairman of the Board or the President or the Board of Directors.

Section 8. *Secretary.* The Secretary shall act as Secretary of all meetings of the stockholders and of the Board of Directors at which he is present; shall have supervision over the giving and serving of notices of the Corporation; shall be the custodian of the corporate records and of the corporate seal of the Corporation; shall be empowered to affix the corporate seal to documents, the execution of which, on behalf of the Corporation, under its seal, is duly authorized, and when so affixed may attest the same; shall exercise the powers and perform the duties usually incident to the office of Secretary; and shall exercise such other powers and perform such other duties as may be assigned to him by the Board or the Chairman of the Board or the President.

Section 9. *Assistant Secretaries.* The Assistant Secretaries shall perform the duties of the Secretary in his absence or inability to act, and shall perform such other duties as shall be assigned to them by the Secretary, or the Chairman of the Board or the President or the Board of Directors.

Section 10. *Bonds.* The Board of Directors shall have power to require any officer of the Corporation to give bond [fol. 104-96] for the faithful discharge of his duties in such form and in such amount and with such surety or sureties as the Board may deem advisable.

Section 11. *Compensation of Officers, Agents and Employees.* The compensation of all officers, agents and employees of the Corporation shall be fixed by the Board of Directors, or pursuant to authority of general or special resolutions of the Board.

ARTICLE V

Resignations, Removals and Vacancies

Section 1. *Resignations.* Any director, officer or agent of the Corporation may, subject to contrary provision in any applicable contract, resign at any time by giving written notice to the Board of Directors or the Chairman of the Board or the President or to the Secretary of the Corporation, and any member of any committee may resign at any time by giving notice either as aforesaid or to the committee of which he is a member or to the chairman thereof. Any such resignation shall take effect at the time specified therein or, if the time be not specified, upon receipt thereof; and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

Section 2. *Removals.* Any officer, employee or agent or member of any committee may be removed at any time, with or without cause, by resolution adopted by a majority of the whole Board.

Section 3. *Vacancies Among Directors.* If the office of any director becomes vacant at any time by reason of death, resignation, retirement, disqualification or removal from office, or otherwise, or if any new directorship is created by any increase in the authorized number of directors, such vacancy or such new directorship shall be filled as provided in paragraph (a) of Article NINTH of the Certificate of Incorporation.

Section 4. *Vacancies Among Officers, Etc.* If the office of the Chairman of the Board, the President, any Vice President, the Secretary or the Treasurer, or of any other officer or agent or member of any committee, becomes vacant at any time by reason of death, resignation, retirement, disqualification, removal from office, or otherwise,

[fol. 104-97] such vacancy or vacancies shall be filled by the Board of Directors or as authorized by it.

Article VI

Notices

Section 1. *Manner of Giving.* Whenever under the provisions of the laws of the State of Delaware, the Certificate of Incorporation or these By-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice but such notice may be given by mailing or telegraphing the same to each such director or stockholder at such address as appears on the books or in the records of the Corporation, and such notice shall be deemed to be given at the time when the same is thus mailed or telegraphed.

Section 2. *Waiver of Notice.* Whenever under the provisions of these By-laws, or of the Certificate of Incorporation, or of any of the laws of the State of Delaware, the stockholders or directors are authorized to hold any meeting or take any action after notice or after the lapse of any prescribed period of time, a waiver thereof, in writing, signed by the person or persons entitled to such notice or lapse of time, whether before or after the time of meeting or action stated therein, shall be deemed equivalent thereto. The presence at any meeting of a person or persons entitled to notice thereof shall be deemed a waiver of such notice as to such person or persons.

Article VII

Capital Stock

Section 1. *Form and Issuance.* Certificates of stock shall be issued in such form as may be approved by the Board of Directors and shall be signed by, or in the name of the Corporation by, the Chairman of the Board, the

President or a Vice President and the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary; *provided, however,* that when certificates are signed by a transfer agent or an assistant transfer agent or by a transfer clerk, acting on behalf of the Corporation, [fol. 104-98] and a registrar, the signature of any such Chairman of the Board, President, Vice President, Treasurer, Assistant Treasurer, Secretary or Assistant Secretary may be facsimile. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates, shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates shall nevertheless, unless otherwise determined by the Board generally or in particular instances, be deemed to have been adopted by the Corporation as and for a stock certificate thereof without the necessity of any further action and may be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the Corporation.

Section 2. *Transfer of Stock.* The Board of Directors shall have power and authority to make such rules and regulations as they may deem expedient concerning the issue, registration and transfer of certificates of stock, and may appoint transfer agents or clerks and registrars thereof.

Section 3. *Closing of Transfer Books, Fixing of Record Date.* The Board of Directors may at any time by resolution direct that the stock transfer books be closed for a period not to exceed fifty days preceding the date of any annual or special meeting of stockholders, or the date for payment of any dividend, or the date for the allotment of

rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or for a period not exceeding fifty days in connection with obtaining the consent of stockholders for any purpose. In lieu of providing for the closing of the stock transfer books as aforesaid, the Board may fix in advance a date, not exceeding fifty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of and to vote at any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or [fol. 104-99] to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid. Except where the transfer books of the Corporation shall have been closed or a date shall have been fixed as a record date for the determination of the stockholders entitled to vote, as hereinabove provided, no share of stock shall be voted on at any election of directors which shall have been transferred on the books of the Corporation within twenty days next preceding such election of directors.

Section 4. *Registered Stockholders.* The Corporation shall be entitled to treat the holder of record of any share or shares of stock of the Corporation as a holder in fact thereof and, accordingly, shall not be bound to recognize

any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of Delaware.

Section 5. *Lost or Destroyed Stock Certificates.* Any person claiming a certificate for shares of any class of stock of the Corporation to be lost, stolen, or destroyed, and desiring the issuance of a duplicate stock certificate or any payment or other action on the part of the Corporation in connection therewith, shall make affidavit or affirmation as to such loss, theft or destruction and deliver the same to the Corporation or its transfer agent. Any such lost, stolen or destroyed certificate may be replaced by means of the issuance of a new or duplicate certificate, and any payment or other action requested in respect of the shares represented by any such certificate may be made or taken, upon the furnishing of such surety bond and/or indemnity agreement and/or upon the compliance with such other requirements, as the Board of Directors may prescribe, either generally or in specific instances.

[fol. 104-100]

Article VIII

Negotiable Instruments, Contracts, Etc.

Section 1. *Signatures on Checks, Etc.* All checks, drafts, bills of exchange, notes or other instruments or orders for the payment of money or evidences of indebtedness shall be signed for or in the name of the Corporation by such officer or officers, person or persons, as the Board of Directors of the Corporation may from time to time designate by resolution, either generally or in specific instances.

Section 2. *Execution of Contracts, Deeds, Etc.* The Board of Directors may authorize any officer or officers, agent or agents, in the name and on behalf of the Corpora-

tion, to enter into or execute and deliver any and all deeds, bonds, mortgages, contracts and other obligations or instruments, and such authority may be general or confined to specific instances.

Section 3. *Loans.* No loan shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized or ratified by a resolution of the Board of Directors. Such authority or ratification may be general or confined to specific instances.

Article IX

Corporate Seal

The seal of the Corporation shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal—Delaware". Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Article X

Voting of Stock Held

Unless otherwise provided by resolution of the Board of Directors, the Chairman of the Board may from time to time appoint an attorney or attorneys or agent or agents [fol. 104-101] of the Corporation, in the name and on behalf of the Corporation to cast the votes which the Corporation may be entitled to cast as a stockholder or otherwise in any other corporation or association, any of whose stock or securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporations or associations, or to consent in writing to any action by any such other corporation or association, and may instruct the person or persons so appointed as to the manner of casting such votes or giv-

ing such consent, and may execute or cause to be executed on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, consents, waivers or other instruments as he may deem necessary or proper in the premises; or the Chairman of the Board may himself attend any meeting of the holders of stock or other securities of any such other corporation or association and thereat vote or exercise any or all other powers of the Corporation as the holder of such stock or other securities of such other corporation or association, or may consent in writing to any action by any such other corporation or association.

Article XI

Amendments

All By-laws of the Corporation shall be subject to alteration, amendment or repeal, and new By-laws may be made by the affirmative vote of a majority of the whole Board of Directors given at a regular or special meeting of the Board of Directors, provided that the notice of such meeting indicates that the By-laws are to be repealed, altered or amended or that new By-laws are to be adopted (but such notice need not specify the particular By-law or By-laws to be altered, amended or repealed or the new By-Law or By-laws to be adopted), or if all of the Directors at the time in office be present at such meeting or those not present shall at any time waive or have waived notice thereof in writing.

[fol. 105]

IN UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

UNITED STATES OF AMERICA, Plaintiff,

vs.

EL PASO NATURAL GAS COMPANY and PACIFIC NORTHWEST PIPELINE CORPORATION, Defendants.

DECREE FOR DIVESTITURE—June 24, 1965

Plaintiff filed its complaint herein on July 22, 1957, and its amendment thereto on October 31, 1960. Defendants appeared and filed their answer on November 12, 1957. The action was tried by this Court and on November 20, 1962, a judgment was entered dismissing the action. Plaintiff appealed from the judgment. On April 6, 1964, the Supreme Court of the United States reversed the judgment of this Court and directed it to order divestiture without delay. The mandate of the Supreme Court of the United States was filed in this Court on May 5, 1964. This Decree for Divestiture is for the purpose of establishing an independent gas pipeline company capable of providing future competition to El Paso and other natural gas pipeline companies. This Decree for Divestiture has been agreed to by the parties after extensive hearings and conferences and the Court.

[fol. 106] Now, Therefore, it is hereby Ordered, Adjudged and Decreed:

[File endorsement omitted]

I.

As used in this Decree:

(A) "El Paso" shall mean the Defendant El Paso Natural Gas Company;

(B) "Pacific Northwest" shall mean the Defendant Pacific Northwest Pipeline Corporation;

(C) "Person" shall mean an individual, partnership, firm, corporation, association or other legal or business entity;

(D) "Immediate family" shall mean, with reference to any person, the spouse, descendants, ascendants and/or brothers and sisters of such person;

(E) "Natural gas transmission properties" shall mean properties used in the transportation of natural gas by pipeline (other than production, gathering and processing).

II.

In accordance with the mandate of the Supreme Court, this Court finds the acquisition by El Paso of the capital stock and assets of Pacific Northwest is a violation of Section 7 of the Act of Congress of October 15, 1914, entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," commonly known as the Clayton Act, as amended.

III.

This Decree is binding upon the Defendants and their subsidiaries, successors and assigns and each of their officers, directors, agents, employees and all persons in ac- [fol. 107] tive concert or participation with them who shall have received actual notice of this Decree by personal service or otherwise.

IV.

The Court has received in evidence, as El Paso's Exhibit A, El Paso's Proposal for Divestiture which contains a plan of divestiture hereafter referred to as the "Plan of Divestiture." After due hearings thereon, this Court finds that the Plan of Divestiture, as modified by this Decree, complies with the mandate of the Supreme Court in this matter, and the Plan of Divestiture, as so modified, is accordingly approved by this Court. El Paso is ordered and directed to commence effectuating the Plan of Divestiture in the following manner:

(A) El Paso is ordered and directed to effect promptly the organization and creation of a corporation, hereafter called "New Company." As soon as practicable New Company shall employ as its chief executive officer a qualified person satisfactory to and approved by Plaintiff, El Paso, and the Court, who also shall act as voting trustee as hereinafter provided. New Company and its chief executive officer, as voting trustee, shall each submit to the jurisdiction of this Court as parties and shall file with this Court their agreements to be bound by such orders as may be entered herein;

(B) An application on behalf of New Company shall be filed with the Federal Power Commission at the earliest practicable date requesting the issuance of a certificate of public convenience and necessity authorizing New Company to acquire, own and operate the properties to be re- [fol. 108] ceived from El Paso. New Company also shall file with the Federal Power Commission, concurrently with the transfer of assets and liabilities authorized and ordered by subsection (C) of this Section IV, the same tariffs, rates, rules, regulations and other conditions of service then in effect and applicable to the service to be rendered by New Company, including the agreement of New Company to comply with the provisions of the rate settlement agreement approved by the Federal Power Com-

mission on January 15, 1964. This Decree is not intended to impinge upon whatever jurisdiction the Federal Power Commission may have under the Natural Gas Act with respect to New Company including, without limitation, whatever jurisdiction the Commission may have under said Act with respect to the contracts under tabs 3, 4, 5 and 6 of the Plan of Divestiture.

(C) Upon securing the necessary certificates, authorizations, orders, consents and approvals hereinbefore referred to, El Paso shall promptly divest itself by transfer to New Company of the properties, assets and related liabilities set forth in the Plan of Divestiture. Upon such transfer, New Company shall assume such of El Paso's present bonds and debentures, and shall issue its own bonds and debentures in satisfaction of such obligation to the holders of the bonds and debentures of El Paso, in the amounts and upon the terms provided in the Plan of Divestiture, and shall issue to El Paso all of its capital stock;

(D) Within three years after the transfer of the assets to New Company as herein provided, El Paso shall, consistent with the provisions of Sections V and VI of this Decree, divest itself of all of its legal and equitable right, [fol. 109] title and interest in and to said shares of stock in New Company by one of the following methods:

(1) within eighteen (18) months after said transfer, El Paso may accomplish such divestment by distributing at least 80% of the shares of stock in New Company to such holders of El Paso's Common Stock as shall elect to exchange their shares of El Paso Common Stock for shares in New Company, and who shall own no other shares of Common Stock of El Paso immediately after the exchange, and selling any remaining unexchanged shares of New Company to the public in the manner provided in clause (2) of this subsection (D); or

(2) if El Paso shall not have divested itself of all of its legal right, title and interest in and to said shares of stock in New Company in the manner and within the period of time provided in clause (1), above, then El Paso shall sell the shares of stock in New Company by one or more sales to the public through an underwriter or underwriters, such underwriter or underwriters and [fol. 110] any agreement with them (except as to price) to be approved by the Court upon not less than ten days' prior written notice to Plaintiff, provided that no officer or director of El Paso and no owner of capital stock of El Paso in excess of one-half of one per cent of the total shares outstanding shall be permitted to purchase any stock in New Company upon such sale or sales.

(E) Within one year after entry of this Decree El Paso shall fully and completely divest itself of all legal and equitable right, title and interest in and to the 1,157,125 shares of stock in Westcoast Transmission Company, Limited, by the sale thereof to such person or persons as the Court may approve after notice to Plaintiff;

(F) El Paso shall take such other and further action as shall be necessary and appropriate for the consummation of the Plan of Divestiture;

(G) Until completion of the divestiture ordered by subsection (D) of this Section, El Paso shall report from time to time to this Court, at intervals of not more than 6 months, with respect to its progress in complying with the provisions of this Decree.

V.

Forthwith upon issuance of shares of stock in New Com- [fol. 111] pany in exchange for assets as provided in subsection (C) of Section IV, El Paso shall transfer all such shares to New Company's chief executive officer, as voting

trustee, who shall thereafter exercise all voting rights with respect to such shares. Such shares of stock in New Company shall be released by said chief executive officer, as voting trustee, only in accordance with divestiture by El Paso of its legal and equitable interest therein pursuant to this Decree.

VI.

Defendant El Paso is enjoined and restrained from:

(A) Except as contemplated in this Decree, acquiring any capital stock or financial interest whatsoever in New Company or any assets thereof;

(B) For ten (10) years after the date of entry of this Decree, acquiring or holding after such acquisition, directly or indirectly, any natural gas transmission properties in the United States, or any of the capital stock, of any person engaged in the transmission of natural gas in the United States (other than purchases of the capital stock of any such person, except New Company, on behalf of the Employees Retirement Income Plan and/or the Employees' Savings Plan of El Paso resulting in holding by said Plans of less than one-half of one per centum (½ of 1%) of the capital stock of such person) except with the approval of the Plaintiff herein or after establishing to the satisfaction of this Court, upon notice to the Plaintiff, that the effect of such acquisition will not be to sub- [fol. 112] stantially lessen competition or tend to create a monopoly in any line of commerce in any section of the country;

(C) Having any person as an officer or director who is at the same time:

(1) an officer, director or employee of New Company;

(2) the owner of any capital stock of New Company or a person a member of whose immediate family is the owner of more than one-tenth of one per

centum (1/10 of 1%) of the capital stock of New Company;

(D) Employing, during a period of five (5) years from the date New Company shall first start service, any employee of New Company without first obtaining the consent in writing of New Company.

VII.

For the purpose of determining or securing compliance with this Decree, duly authorized representatives of the Department of Justice, shall, on written request of the Attorney General or the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to either El Paso or the New Company, made to its principal office, be permitted, subject to any legally recognized privilege and with the right of said Defendant to have counsel present:

(A) Reasonable access, during office hours of such Defendant, to all books, ledgers, accounts, correspondence, memoranda and other records and documents in the pos- [fol. 113] session or under the control of such Defendant, relating to any matters contained in this Decree; and

(B) Subject to the reasonable convenience of such Defendant and without restraint or interference from it, to interview officers or employees of such Defendant, who may have counsel present, regarding any matters contained in this Decree;

Upon written request, such Defendant shall submit such reports in writing with respect to matters contained in this Decree as may from time to time be necessary to the enforcement of this Decree.

VIII.

Jurisdiction is retained by this Court over the parties, and after they have submitted thereto over New Company

and its chief executive officer in his capacity as voting trustee, for the purpose of enabling any of the parties to this Decree to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the construction or carrying out of the orders of this Court, for the amendment thereof, for the enforcement of compliance therewith, and for the punishment of violations thereof.

Dated: June 24, 1965

Willis W. Ritter, United States District Judge.

[fol. 114]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

[Title omitted]

ORDER RE DESIGNATION OF EXECUTIVE OFFICERS OF NEW CORPORATION, NORTHWEST PIPELINE CORPORATION—June 24, 1965

The Court having this day entered its Decree for Divestiture in the above-entitled matter; and Defendant El Paso Natural Gas Company having duly organized Northwest Pipeline Corporation under the laws of the State of Delaware as the "New Company" in conformity with Section IV(A) of the Decree; the Court, pursuant to Section IV(A) of the Decree, having approved Glenn W. Clark as a satisfactory and qualified person to act as Chief Executive Officer of Northwest Pipeline Corporation, and as Vot-

[File endorsement omitted]

ing Trustee, under the Decree; the Court having approved Charles T. Klein as President of Northwest Pipeline Corporation and L. V. Tracht as Vice President-Finance of Northwest Pipeline Corporation; and the Court having approved Glenn W. Clark, Charles T. Klein, L. V. Tracht, Richmond C. Coburn, H. Reid Derrick, James Hickok and Harold E. Thayer as satisfactory and qualified persons to act as the initial Directors of Northwest Pipeline Corporation, to serve until their successors shall have been duly elected and qualified:

It Is Ordered that Glenn W. Clark be and he is hereby approved by this Court as Chief Executive Officer of Northwest Pipeline Corporation pursuant to Section IV(A) of the Decree for Divestiture entered herein, Charles T. Klein be and he is hereby approved by this Court as President [fol. 115] of Northwest Pipeline Corporation, and L. V. Tracht be and he is hereby approved by this Court as Vice President-Finance of Northwest Pipeline Corporation.

It Is Further Ordered that Glenn W. Clark, Charles T. Klein, L. V. Tracht, Richmond C. Coburn, H. Reid Derrick, James Hickok and Harold E. Thayer, and each of them, is hereby approved by this Court as the initial Directors of Northwest Pipeline Corporation, to serve until their successors shall have been duly elected and qualified.

Dated: June 24, 1965

Willis W. Ritter, Chief Judge.

[fol. 116]

UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

SALT LAKE CITY, UTAH

Date: June 24, 1965

NOTICE (RULE 77(D)) MAILED TO COUNSEL OF RECORD OF ORDER ON NEW CORPORATION

To:

William T. Thurman, Esq., U. S. Attorney, 200 Post Office & Courthouse Bldg., SLC

Larry Williams, Esq., Dept. of Justice, Washington, D. C.

Gregory A. Harrison, Esq., 111 Sutter Street, San Francisco, California

Van Cott, Bagley, Cornwall and McCarthy, 141 East 1st South, Suite 300, SLC

Re: C 143-57—United States of America

vs.

El Paso Natural Gas Company, et al.

TAKE NOTICE, in accordance with Rule 77 (d) of the Federal Rules of Civil Procedure, you are hereby notified that:

DECREE FOR DIVESTITURE

and

ORDER—re: designation of executive officers of new corporation, Northwest Pipeline Corporation

were signed by Honorable Willis W. Ritter on the 24th day of June, 1965; and entered in the Docket as of the 24th day of June, 1965.

ANDREW JOHN BRENNAN, Clerk

By: /s/ H. S.

Deputy Clerk

[fol. 117]

IN UNITED STATES DISTRICT COURT

MEMORANDUM FOR THE COURT—Filed June 24, 1965

The United States and El Paso have approved Glenn W. Clark as chief executive officer of Northwest Pipeline Corporation, Charles T. Klein, president, and L. V. Tracht, vice president-finance.

Mr. Clark, age 59, was president and director of Mississippi River Corporation from 1956 to the present. He was graduated from the University of Missouri Law School and began his career in the petroleum industry as a member of the law department of Empire Companies, Bartlesville, Oklahoma, in 1930. From 1938 through 1944 he was general attorney for Panhandle Eastern Pipe Line Company.

In 1944 Mr. Clark became vice president, general counsel and a director of Cities Service Gas Company. He became president of that company in 1952. The next year he was elected president of Cities Service Gas Producing Company.

He served as president of Cities Service Gas Company and as a director of Cities Service Company, as well as a director of Cities Service Petroleum, Inc., and Empire Gas and Fuel Company, until he joined Mississippi River Corporation in 1956. Mr. Clark was president of the Independent Natural Gas Association from 1958 until 1960.

Mr. Charles T. Klein, age 51, served as a vice president and director of Cities Service Gas Company from 1960 until the present. From 1949 until 1960 he was manager of the Natural Gas Division and a director of Cities Service Oil Company. He joined Cities Service Oil Company [fol. 118] as an attorney in its Law Division in 1946. From 1938 until 1941 Mr. Klein was associated in the practice of law with the Tulsa firm of Harper, Williams and Boesche. He attended the University of Kansas. He received a

[File endorsement omitted]

B. A. degree from the University of Michigan in 1936 and an L. L. B. from the University of Michigan School of Law in 1938.

Mr. L. V. Tracht, age 60, joined Mississippi River Corporation in 1958 as its financial officer. He became secretary of the corporation in 1960 and its treasurer in 1961. He has also been a director, secretary and treasurer of Mississippi River Transmission Corporation, a subsidiary of Mississippi River Corporation in the natural gas pipeline business.

Prior to 1958 Mr. Tracht was vice president and treasurer of United Gas Corporation, and treasurer and a director of United Gas Pipeline Company and Union Producing Company, subsidiaries. He was an official of United Gas Corporation and its affiliated companies for 28 years, from 1929 to 1957. Mr. Tracht attended the School of Business Administration at the University of Texas.

[Handwritten notation—Directors of Northwest may be added at the option of its chief executive.]

[fol. 119]

[Handwritten notations:

1—Identify the independent directors and their independence of El Paso.

2—Plan to substitute residents of the company's service area.]

With respect to your telephone call of June 15 during which we discussed the desirability of selecting some persons from the states of Washington and Oregon for membership on the Board of Directors of Northwest Pipeline Corporation prior to the time it becomes an operating company, Mr. Klein, Mr. Tracht and I agree that this should and will be done either by additions to the initial Board or by substitutions for some or all of the initial Board members who would resign upon my request. We would be willing to make our position in this respect clear upon the record if so desired.

We believe that at the outset four independent Directors should be named in addition to ourselves, thus constituting a Board of seven men. We think that these four independent Directors should be men whom at least two of us can vouch for. As soon as we can adequately acquaint ourselves with outstanding businessmen in the service area of Northwest Pipeline Corporation, we can then select candidates for Board membership. We agree that it would be highly desirable to have Board representation in this area rather than to concentrate in areas outside of the service area of Northwest.

[fol. 120]

IN UNITED STATES DISTRICT COURT

Judge Ritter

C 143-57

[Title omitted]

MINUTES—June 24, 1965

This matter came on for hearing on signing and entry of the agreed decree and such orders pertaining to related matters as may be appropriate. William T. Thurman, Esq., United States Attorney, and Larry Williams, Esq. appeared for the plaintiff. Gregory A. Harrison, Esq. appeared for the defendant.

Statements of Mr. Harrison and of the court were heard.

Francis M. Gibbons, Esq. moved the admission of Rollin E. Woodbury, Esq. and William E. Marx, Esq. for the purpose of this case only. Motion granted.

Mr. Woodbury made an application for leave to intervene on behalf of Southern California Edison Company. Statements of Messrs. Woodbury and Harrison were heard. The court denied the application for leave to inter-

vene; further directing that Mr. Harrison prepare an appropiate order for approval by the court.

Defendants' exhibits S and T were marked, offered, and received.

Glenn W. Clark was sworn and testified.

The court executed the Decree for Divestiture; said Decree was filed of record. The court executed an Order —re: approving the executive officers of the newly formed corporation, Northwest Pipeline Corporation; said Order was also filed of record.

cc:

William T. Thurman, Esq., U. S. Attorney, 200 Post Office & Courthouse Bldg., SLC
Larry Williams, Esq., Dept. of Justice, Washington, D. C.
Gregory Harrison, Esq., 111 Sutter Street, San Francisco, California
Van Cott, Bagley, Cornwall & McCarthy, 141 East 1st South, Suite 300, SLC
Senior and Senior, Newhouse Bldg., SLC
Rollin E. Woodbury, Esq., P. O. Box 351, Los Angeles, California (90053)

[fol. 121]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

[Title omitted]

ORDER—June 28, 1965

It Is Ordered that the application for leave to intervene filed herein on June 22, 1965, by Southern California Edison Company be and it is hereby denied.

Dated: June 28, 1965

Willis W. Ritter, Chief Judge.

[File endorsement omitted]

[fol. 122]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

[Title omitted]

ORDER APPROVING CERTIFICATE OF INCORPORATION AND BY-LAWS OF NORTHWEST PIPELINE CORPORATION, ETC.—June 28, 1965

It Is Ordered that the Certificate of Incorporation and By-laws of Northwest Pipeline Corporation received in evidence herein as Exhibits S and T of defendant El Paso

[File endorsement omitted]

Natural Gas Company be and each of them is hereby approved by this Court;

It Is Further Ordered that this Court hereby approves the agreements and understandings heretofore made between said defendant and the chief executive officer of Northwest Pipeline Corporation that Northwest Pipeline Corporation distribute at least 75% of its net earnings as dividends to its stockholder at least annually until said defendant divests itself pursuant to the Decree for Divestiture herein of its stock in Northwest Pipeline Corporation, that for so long as said defendant owns 80% or more of the stock of Northwest Pipeline Corporation, Northwest Pipeline Corporation will consent to the filing by said defendant of consolidated income tax returns on [fol. 123] behalf of Northwest Pipeline Corporation and said defendant's other subsidiaries, and that prior to divestiture as aforesaid, Northwest Pipeline Corporation will issue as many shares of its capital stock, and upon such terms and conditions, as said defendant may specify.

Dated: June 28, 1965

Willis W. Ritter, Chief Judge.

[fol. 124]

UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

SALT LAKE CITY, UTAH

June 29, 1965

NOTICE (RULE 77(D)) MAILED TO COUNSEL OF RECORD OF ORDERS, ETC.

To:

William T. Thurman, Esq., U. S. Attorney, 200 Post Office & Courthouse Bldg., SLC

Larry Williams, Esq., Dept. of Justice, Washington, D. C.

Gregory Harrison, Esq., 111 Sutter Street, San Francisco, California

Van Cott, Bagley, Cornwall & McCarthy, 141 East 1st South, Suite 300, SLC
Senior and Senior, Newhouse Bldg., SLC
Rollin E. Woodbury, Esq., P. O. Box 351, Los Angeles, California (90053)

Re: C 143-57

UNITED STATES OF AMERICA,

vs.

EL PASO NATURAL GAS COMPANY, et al.

Take Notice, that in accordance with Rule 77 (d) of the Federal Rules of Civil Procedure, that the following:

ORDER, ordering that the application for leave to intervene filed on June 22, 1965 by Southern California Edison Company is denied,

and

ORDER, approving certificate of incorporation and by-laws of Northwest Pipeline Corporation and approving understandings in existence between El Paso and Northwest respecting dividends, consolidated income tax returns and issuance of Northwest's stock,

were signed by Honorable Willis W. Ritter on the 28th day of June, 1965, and entered in the Docket as of the 29th day of June, 1965.

Andrew John Brennan, Clerk, By: H. S., Deputy Clerk.

[fol. 125]

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

CENTRAL DIVISION

Civil Action No. 143-57

[Title omitted]

APPLICATION FOR LEAVE TO INTERVENE—Filed June 30, 1965

Comes Now the Southern California Edison Company (Edison), a California corporation, which respectfully moves the Court for leave to intervene in the above-entitled action, pursuant to Rules 24(a)(2), 24(a)(3) and 24(b)(2) of the Federal Rules of Civil Procedure, and in support of its application Edison alleges:

I

That it is a corporation, incorporated under the laws of the State of California, and engaged therein as a public utility in the generation, transmission, distribution and sale of electricity in the southern California area; the population of the territory served by Edison is estimated to exceed six million people. Edison is subject to regulation by the Public Utilities Commission of the State of California, as well as by the Public Service Commission of Nevada and the Federal Power Commission.

[fol. 126]

II

Edison is one of the largest consumers of natural gas in the State of California; in 1964, for example, it used natural gas for over 75 per cent of its fuel requirements in the generation of electricity and burned over 189 billion cubic feet of natural gas at a cost of approximately $65 million. The cost to Edison of continuing to supply satis-

[File endorsement omitted]

factory electric service to the area is significantly affected by the cost to it of its fuel supplies, its fuel cost representing its largest classification of expense other than taxes and labor.

III

By stipulation filed with the above-entitled Court on or about May 24, 1965, between the Department of Justice and El Paso Natural Gas Company, a proposed form of decree for divestiture was lodged with the Court. The form of the then proposed decree covered by the said stipulation perpetuated a number of the significant features of the plan of divestiture originally proposed by El Paso to which the Department of Justice had previously taken serious issue because of the tendency of such proposal by El Paso to perpetuate the very anti-competitive effects this litigation was intended to prevent. As reflected in its decision (12 L.ed 2d 12, 15), the ultimate issue before the Supreme Court in this litigation was whether the acquisition by Pacific Northwest Pipeline Corporation by El Paso Natural Gas Company substantially lessened competition in the [fol. 127] sale of natural gas in California. The same decision, at page 16, reflects the negotiations for the sale of natural gas which Edison had had with Pacific Northwest Pipeline Corporation before the merger and applicant's legitimate interest in securing the benefits of competition between suppliers. The Supreme Court concluded that the effect of the acquisition of Pacific Northwest Pipeline Corporation by El Paso Natural Gas Company tended to lessen competition within the meaning of the Clayton Act, and directed this Court to order divestiture without delay (12 L.ed 2d 12, 20).

Before the filing of the aforesaid stipulation between the Department of Justice and El Paso Natural Gas Company on or about May 24, 1965, the applicant, Edison, because of the position then being taken by the Department of Justice in the litigation, considered that its interests were being adequately protected. The filing of the stipulation

on or about May 24, 1965, containing as it did substantial changes in the position of the government, led applicant to conclude that the representation of its interests by existing parties was, or might be, inadequate and that the applicant was, or might be, bound by a judgment in the action; this conclusion necessarily resulted from the circumstance that none of the said parties in the proceeding was, after entering into said stipulation, any longer in a position to protect applicant's interest, in view of the terms of the stipulation and the terms of the decree covered thereby, which was so filed.

[fol. 128] IV

Applicant Edison first received a copy of the aforesaid stipulation, entered into by El Paso Natural Gas Company and the Department of Justice on May 28, 1965, from the Justice Department, in response to Edison's earlier telegraphic request of April 8, 1965, and thereafter, within the thirty-day period contemplated by the stipulation for any affected person to present its views to the Court, to-wit: On June 22, 1965, Edison filed an application for leave to intervene. Its receipt of the copy of the stipulation on May 28, 1965, was Applicant's first notification that the Justice Department had changed its position, which had theretofore remained constant throughout the proceedings, by abandoning: (1) its objections to El Paso's retaining the shares of stock in West Coast Transmission Company, Ltd., which had been acquired in the merger from Pacific Northwest Pipeline Corporation; (2) its seeking a different and greater allocation of reserves in the San Juan Basin to the New Company; (3) its seeking equitable revision of contracts which had unilaterally been changed by El Paso subsequent to the merger; and (4) its seeking an equitable allocation to the New Company of benefits from the tax loss carryovers which Pacific Northwest Pipeline Corporation and its subsidiaries had accumulated before the merger. Theretofore the Justice Department had

consistently urged that the proposals of El Paso Natural Gas Company with respect to each of the aforesaid items in the El Paso Natural Gas Company's proposed divesti-
[fol. 129] ture plan constituted serious deficiencies in the El Paso plan.

In its aforesaid application for leave to intervene filed on June 22, 1965, before the entry of any decree by the Court, Edison set forth its views as to why, under the stipulation which had been filed, these serious deficiencies continued to exist and the reasons why it believed that the proposed form of decree of divestiture covered by the stipulation would not effectuate the purpose of the mandate of the United States Supreme Court in its decision of April 6, 1964; such reasons were included *inter alia* in its letter of June 11, 1965, to Judge Ritter which was attached to and made a part of its said application for leave to intervene. A copy of the said letter of June 11, 1965, is attached hereto as Exhibit "A" and by reference made a part hereof as fully as though set forth in length herein. On June 24, 1965, Edison's aforesaid application for leave to intervene was denied by the District Court.

Because of the suggestion made, among others, by both El Paso Natural Gas Company and by the United States, in their respective motions to dismiss the appeals by others from the denial of their applications to intervene, that such applications and appeals were inappropriate because they were made at a time before any decree had been entered by the District Court, Edison, in order to avoid any such procedural objection and in order that the matter may be decided on the merits, is making this additional applica-
[fol. 130] tion for leave to intervene in the proceedings at this time.

V

Applicant is informed and believes and, upon such information and belief, alleges that the decree covered by the stipulation and entered by this Court on June 24, 1965, will not enable the New Company (now known as North-

west Pipeline Corporation) to be in a position to compete in the California market to the extent that Pacific Northwest Pipeline Corporation was before the merger and would not fulfill the mandate of the Supreme Court, thus prejudicing substantially the interests of the gas consumers in California, including the applicant, Edison. To the extent that New Company under the decree is not so constructed as to be able to resume the competitive position in California which Pacific Northwest Pipeline Corporation, before the merger, had been able to take; the gas consumers in California, including applicant, would not have available to them the competitive situation to which they are entitled and would be deprived of the economic benefits ordered to be restored by the Supreme Court.

VI

Applicant, Edison, if permitted to intervene, proposes to show by evidence that under the decree entered pursuant to said stipulation New Company, as previously indicated in the proceedings by the Department of Justice before the said stipulation was entered into, will not be in a position [fol. 131] to compete as effectively for the California market as the Pacific Northwest Pipeline Corporation would have been but for El Paso Natural Gas Company's illegal merger with it.

VII

Edison has a right to intervene because:

a. It is so situated that it will be adversely affected by this Court's disposition of the property to New Company in the manner contempated in the decree entered June 24, 1965 (Rule 24(a)(3) of the Federal Rules of Civil Procedure).

b. Additionally, it will be bound by the judgment which has been entered by the Court and, because of the stipulation and the decree filed herein, it is no

longer represented adequately in the proceeding (Rule 24(a)(2) of the Federal Rules of Civil Procedure).

c. Alternatively, applicant, Edison, is entitled to permissive intervention because its claims and the main action have common questions of law and fact (Rule 24(b)(2) of the Federal Rules of Civil Procedure).

VIII

If granted the right to intervene, applicant proposes to show by evidence that under the decree entered pursuant [fol. 132] to the aforesaid stipulation, New Company will not be as capable of competing in the California market as the former Pacific Northwest Pipeline Corporation would have been but for the illegal merger with El Paso Natural Gas Company, and that the mandate of the Supreme Court ordering divestiture without delay will not have been met. Such intervention will not broaden the issues or unduly prolong the proceeding. In the light of the material which has already been made a part of the record, the presentation of applicant's proposed direct evidence should not consume more than one or two days.

Wherefore, applicant prays that the Court enter an order permitting it to intervene in these proceedings.

Respectfully submitted,

Senior & Senior, By Francis M. Gibbons, 10 Exchange Place, Salt Lake City, Utah 84111, Attorneys for Southern California Edison Company.

Of Counsel, Rollin E. Woodbury, Harry W. Sturges, Jr., William E. Marx, Post Office Box 351, Los Angeles, California 90053.

[fol. 133]

Memorandum of Points and Authorities

1. Applicant is entitled to intervene as a matter of right. Rules 24(a)(3) and 24(a)(2) of Federal Rules of Civil Procedure.

2. In determining timeliness of motion made under Rule 24(a), court should consider circumstances affecting the time of filing. *Pellegrino* v. *Nesbit*, C.A. 9th, 1953, 203 F.2d 463; *Wolpe* v. *Poretsky*, 1944, 144 F.2d 505 (cert. den. 323 U.S. 777).

3. Alternatively, applicant is entitled to permissive intervention. Rule 24(b)(2) of Federal Rules of Civil Procedure.

[fol. 134] Proof of Service (omitted in printing).

[fol. 136]

Clerk's Note

Exhibit A to Application for Leave to Intervene, "Letter dated June 11, 1965 to Honorable Willis W. Ritter from Southern California Edison Company" is omitted from the record here as it appears on page 2040 supra.

[fol. 144]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

UNITED STATES OF AMERICA, Plaintiff,

vs.

EL PASO NATURAL GAS COMPANY and PACIFIC NORTHWEST PIPELINE CORPORATION, Defendants.

NOTICE OF APPEAL TO THE SUPREME COURT OF THE UNITED STATES—Filed July 16, 1965

1. Notice is hereby given that the State of California by and through its Special Counsel William M. Bennett, Applicant for Leave to Intervene herein, hereby appeals to the Supreme Court of the United States from the Decree for Divestiture of June 24, 1965, and the accompanying Order signed and filed therein appointing certain executive personnel, both of which were filed in the United States District Court for the District of Utah, Central Division, Civil No. 143-57.

The appeal is taken pursuant to 15 U.S.C.A. Sec. 29, and pursuant to Section 2 of the Expediting Act of February 11, 1902, 32 Stat. 823, as amended, 15 U.S. Code § 29, and it is taken pursuant to the role of the State of California herein as a proper party directing the attention of the Supreme Court of the United States to its mandate set forth in United States of American vs. El Paso Natural Gas Company, 376 U.S. 651, and the lack of compliance therewith.

[File endorsement omitted]

[fol. 145] 2. The clerk will please prepare and certify those remaining proceedings which have occurred in the District Court subsequent to the transcript and record herein which has already been prepared by the clerk of the lower court and transmitted to the clerk of the Supreme Court of the United States. The record here will show that a Notice of Appeal to the Supreme Court of the United States was filed by the State of California on or about March 12, 1965, and pursuant to that Appeal and the request contained therein, the clerk has in fact completed most of the record of the proceedings below and has filed such with the clerk of the Supreme Court of the United States. There remain, however, certain proceedings subsequent to those proceedings covered by the Appeal of March 12, 1965, which are known to the clerk of the lower court and request is made of him that such subsequent record be prepared and forwarded to the clerk of the Supreme Court of the United States.

3. The following questions are presented by this appeal:

a. Whether the court should have permitted the State of California to intervene herein pursuant to Rule 24(a)(2) of the Federal Rules of Civil Procedure.

b. Whether the court should have permitted the State of California to intervene herein pursuant to Rule 24(a)(3) of the Federal Rules of Civil Procedure.

c. Whether the court should have permitted the State [fol. 146] of California to intervene herein pursuant to Rule 24(b)(2) of the Federal Rules of Civil Procedure.

d. Whether the Supreme Court of the United States, pursuant to its plenary powers of supervision over federal courts, and pursuant to the specific mandate in United States of America vs. El Paso Natural Gas Company, 376 U.S. 651, decided on April 6, 1964, wherein the court directed the District Court to order

divestiture "without delay" should not review the proceedings herein to determine whether or not the mandate of this court is being obeyed.

William M. Bennett, Special Counsel for the People of the State of California.

[fol. 147] Proof of Service (omitted in printing).

[fol. 149]

WILLIAM M. BENNETT
COMMISSIONER

[Emblem]

PUBLIC UTILITIES COMMISSION

STATE OF CALIFORNIA

SAN FRANCISCO

July 14, 1965

Andrew John Brennan, Clerk
United States District Court
District of Utah
Salt Lake City, Utah

Re: C 143 57 United States of America vs.
El Paso Natural Gas Company, et al.

Dear Mr. Brennan:

Enclosed for filing is a NOTICE OF APPEAL to the Supreme Court of the United States on behalf of the State of California.

As you are aware, California has previously filed an appeal herein from the Order Denying its Application to Intervene which Order was signed on January 22, 1965. Pursuant to the request contained in that appeal you have already prepared and certified and forwarded to the clerk of the

Supreme Court of the United States most of the record below.

The request contained in the enclosed Notice of Appeal is directed to the balance of the record in the trial court consisting of all documents subsequently filed after March 12, 1965, together with all proceedings held before Judge Ritter. As I recall the record, there has been one or possibly two hearings in open court relating to the latest Decree for Divestiture.

Your cooperation in this matter will be appreciated. Enclosed is warrant in the amount of $5.00 to cover filing fees, together with a receipt which should be returned to us.

Sincerely yours,

/s/ William M. Bennett
William M. Bennett
Special Counsel for the People
of the State of California

Enclosures

[fol. 150]

United States District Court

District of Utah

Salt Lake City, Utah

July 16, 1965

Notice to Counsel of Record on Notice of Appeal

To:

The Solicitor General, Department of Justice, Washington 25, D. C.

Jack L. Lipson, Esq., Anti-trust Division, Department of Justice, Washington, D. C.

William T. Thurman, Esq., U. S. Attorney, 200 U. S. Post Office and Courthouse, Salt Lake City, Utah

Gregory A. Harrison, Esq., Brobeck, Phleger & Harrison, 111 Sutter Street, San Francisco, California

Leon M. Payne, Esq., Andrews, Keith, Campbell & Jones, 25th Floor Humble Building, Houston, Texas

Dennis McCarthy, Esq., Van Cott, Bagley, Cornwall & McCarthy, 85 South Main, Salt Lake City, Utah

Cascade Natural Gas Corporation, c/o Jones, Grey, Rehoe, Hooper & Olsen, Norton Building, Seattle 4, Washington

A. H. Nebeker, Esq., Ray, Quinney & Nebeker, 300 Deseret Building, Salt Lake City, Utah

Richard A. Solomon, Esq., General Counsel, Federal Power Commission, 441 G. Street, N. W., Washington, D. C.

Re: UNITED STATES OF AMERICA

vs.

EL PASO NATURAL GAS COMPANY, et al.

C 143-57

Please Take Notice that Notice of Appeal to the Supreme Court of the United States, copy of which is enclosed, was filed on the 16th day of July, 1965 and entered in the docket as of the 16th day of July, 1965.

Andrew John Brennan, Clerk, By: Ruth Bailey, Deputy Clerk.

rb

cc:

William M. Bennett, Esq., Room 5068 State Building, San Francisco, Calif.

[fol. 151]

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

CENTRAL DIVISION

Civil Action No. 143-57

[Title omitted]

APPEARANCE—Filed July 23, 1965

Raymond T. Senior, an attorney at law duly admitted to practice before this Court, hereby makes a formal appearance in the above entitled matter as Counsel for and in behalf of Southern California Edison Company, Applicant for Leave to Intervene in said matter.

Dated this 23rd day of July, 1965.

Raymond T. Senior

[File endorsement omitted]

[fol. 152]

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

CENTRAL DIVISION

Civil Action No. 143-57

[Title omitted]

NOTICE OF APPEAL TO THE SUPREME COURT OF THE UNITED STATES—Filed July 23, 1965

I

Notice is hereby given that Southern California Edison Company (Edison), a California corporation, hereby ap-

[File endorsement omitted]

peals to the Supreme Court of the United States from the final Order denying Edison's Application for Leave to Intervene entered in this action on June 28, 1965.

This appeal is taken pursuant to Section 2 of the Expediting Act of February 11, 1903, 32 Stat. 823, as amended, 15 U.S.C. § 29.

II

The clerk will please prepare a transcript of the record of this cause for transmission to the Clerk of the Supreme Court of the United States and include in said transcript the following:

[fol. 153]

1. Application of Southern California Edison Company to Intervene—filed June 22, 1965.
2. The Court's Minute Order of June 24, 1965.
3. Order denying Application of Southern California Edison Company for Leave to Intervene—filed June 28, 1965.
4. Stipulation between United States Department of Justice and El Paso—filed May 24, 1965.
5. Decree of Divestiture and Order—dated June 24, 1965, and "Plan of Divestiture" referred to therein —El Paso's Exhibit A.
6. Notice in accordance with Rule 77(d) dated June 29, 1965.
7. Plaintiff's Brief Opposing Defendant El Paso's Plan of Divestiture and Presenting Plaintiff's Alternative Plan—filed January 6, 1965.
8. Memorandum on Divestiture of a Portion of the San Juan Gas Reserves Acquired Since the Merger —filed January 6, 1965.

9. Plaintiff's Memorandum Summarizing the Condition of Pacific Northwest Pipeline Corporation at the Time of Its Merger with El Paso—filed February 3, 1965.

10. Plaintiff's Memorandum in Opposition to the El Paso Proposal—filed February 3, 1965.

11. Plaintiff's Proposed Findings of Fact and Conclusions of Law—filed February 19, 1965.

12. Plaintiff's Brief After Divestiture Hearings—filed February 19, 1965.

13. The entire transcript—that is, all volumes—of the reporter's transcript and exhibits referred to therein of all of the proceedings had before the trial court in the case bearing Civil No. 143-57, from their inception in September, 1962.

(Appellant is advised that the portion of this record preceding the decision of the United States Supreme Court in 1964 is already in possession of the Supreme Court, its number 94, October Term, 1963, and is composed of the original documents. See letter of April 6, 1965, to John F. Davis from Andrew John Brennan, Clerk.)

14. Letter of April 6, 1965, to John F. Davis from Andrew John Brennan, Clerk.

[fol. 154]

III

The following questions are presented in this appeal:

1. Whether the Appellant, one of the largest consumers of natural gas in the State of California, may intervene in this action as a matter of right under Rule 24(a)(2) of the Federal Rules of Civil Procedure where a substantial change in the position of the United States government with respect to Defendants' proposed plan of divestiture demonstrates that the interests of the Appellant are no

longer being adequately represented and where the Appellant will be bound by the Decree of Divestiture.

2. Whether the Appellant is so situated as to be so adversely affected by the disposition of property to New Company under the Decree of Divestiture that it may intervene as a matter of right under Rule 24(a)(3) of the Federal Rules of Civil Procedure.

3. Whether or not the denial of intervention constitutes an abuse of discretion under the provisions of Rule 24(b)(2) of the Federal Rules of Civil Procedure.

4. Whether the mandate of the Supreme Court in United States of America v. El Paso Natural Gas Company, 376 U.S. 651, will be complied with under the terms of the divestiture decree and order entered June 24, 1965, by the United States District Court, District of Utah, Central Division.

Respectfully submitted,

Raymond T. Senior, Counsel for Appellant, Southern California Edison Company, 10 Exchange Place, Salt Lake City, Utah 84111.

[fol. 155] Co-Counsel for Appellant
Southern California Edison Company

Francis M. Gibbons, Esq., 10 Exchange Place, Salt Lake City, Utah 84111.

Harry W. Sturges, Jr., Esq., Post Office Box 351, Los Angeles, California 90053.

Rollin E. Woodbury, Esq., Post Office Box 351, Los Angeles, California 90053.

William E. Marx, Esq., Post Office Box 351, Los Angeles, California 90053.

[fol. 156] Proof of Service (omitted in printing).

[fol. 159]

UNITED STATES DISTRICT COURT

DISTRICT OF UTAH

SALT LAKE CITY, UTAH

July 26, 1965

NOTICE TO COUNSEL ON NOTICE OF APPEAL

To:

The Solicitor General, Department of Justice, Washington 25, D. C.

Jack L. Lipson, Esq., Anti-trust Division, Department of Justice, Washington, D. C.

William T. Thurman, Esq., U. S. Attorney, 200 U. S. Post Office and Courthouse, Salt Lake City, Utah

Gregory A. Harrison, Esq., Brobeck, Phleger & Harrison, 111 Sutter Street, San Francisco, California

Leon M. Payne, Esq., Andreus, Keith, Campbell & Jones, 25th Floor Humble Building, Houston, Texas

Dennis McCarthy, Esq., Van Cott, Bagley, Cornwall & McCarthy, 65 South Main, Salt Lake City, Utah

H. V. Jones, Jr., Esq., Jones, Grey, Kehoe, Hooper & Olsen, Norton Building, Seattle 4, Washington

A. H. Nebeker, Esq., Ray, Quinney & Nebeker, 300 Deseret Building, Salt Lake City, Utah

Richard A. Solomon, Esq., General Counsel, Federal Power Commission, 441 G Street, N. W., Washington, D. C.

Richard W. Sabin, Esq., Asst. Attorney Gen., 103 Public Service Building, Salem, Oregon 94310

RE: UNITED STATES OF AMERICA

VS.

EL PASO NATURAL GAS COMPANY, et al.

C 143-57

Please Take Notice that Notice of Appeal to the Supreme Court of the United States, copy of which is enclosed, was

filed on the 23rd day of July, 1965, and entered in the docket as of the 23rd day of July, 1965.

Andrew John Brennan, Clerk, By: Rb, Deputy Clerk.

cc:

William M. Bennett, Esq., Room 5068 State Building, San Francisco, Calif.

Raymond T. Senior, Esq., Senior & Senior, 10 Exchange Place, Salt Lake City, Utah 84111

Harry W. Sturges, Jr., Esq., P. O. Box 351, Los Angeles, California 90053

[fol. 160]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

Civil No. 143-57

[Title omitted]

DESIGNATION BY APPELLEE EL PASO NATURAL GAS COMPANY OF ADDITIONAL PORTIONS OF RECORD TO BE INCLUDED IN RECORD ON APPEAL—Filed August 3, 1965

To: The Clerk of the United States District Court for the District of Utah, Central Division:

In preparing the transcript of record in the above entitled cause on the appeal of Southern California Edison Company, a California corporation, taken on July 23, 1965, please include in the transcript all portions of the record in the cause not designated in said Appellant's Notice of Appeal, together with this cross-designation and proof of service thereof.

[File endorsement omitted]

Brobeck, Phleger & Harrison, Gregory A. Harrison, Atherton Phleger, Robert S. Daggett, 111 Sutter Street, San Francisco, California;
Van Cott, Bagley, Cornwall & McCarthy, Dennis McCarthy, Suite 300, 141 East First South, Salt Lake City, Utah, By Dennis McCarthy, Attorneys for Appellee, El Paso Natural Gas Company.

[fol. 161] Proof of Service (omitted in printing).

[fol. 164] Clerk's Certificate to foregoing transcript (omitted in printing).

[fol. 165]

SUPREME COURT OF THE UNITED STATES

Nos. 79, 82 and 596, October Term, 1965

CASCADE NATURAL GAS CORPORATION, Appellant,

v.

EL PASO NATURAL GAS COMPANY, et al.;
PEOPLE OF THE STATE OF CALIFORNIA, Appellant,

v.

EL PASO NATURAL GAS COMPANY, et al.; and
SOUTHERN CALIFORNIA EDISON COMPANY, Appellant,

v.

EL PASO NATURAL GAS COMPANY, et al.

Appeals from the United States District Court for the District of Utah.

ORDER NOTING PROBABLE JURISDICTION—January 17, 1966

The statements of jurisdiction in these cases having been submitted and considered by the Court, probable jurisdiction is noted. The cases are consolidated and a total of two hours is allotted for oral argument.

Mr. Justice White and Mr. Justice Fortas took no part in the consideration or decision of these cases.